



Financial Services
Commission
of Ontario

THE FINANCIAL SERVICES COMMISSION OF ONTARIO

ANNUAL REPORT 2004–2005





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SUPERINTENDENT'S REPORT ON INSURANCE 2004

Table of Contents

Annual Report

Message from the Chair and the Chief Executive Officer	2
FSCO's Mandate, Structure and Resources	5
The Regulated Sectors in Profile	6
Insurance	6
Deposit Institutions, Mortgage Brokers, Co-operatives	7
Pension Plans	8
FSCO at Work	10
Licensing and Monitoring	11
Enforcement	14
Overseeing Pension Plans	16
Support for the Automobile Insurance System	20
Resolving Automobile Accident Benefits Disputes	24
Policy Development	26
Consumer Protection through Information	28
Getting the Most from Organizational Resources	30
Report of the Financial Services Tribunal	32
Organization Chart	34

Audited Financial Statements

Financial Services Commission of Ontario	37
Pension Benefits Guarantee Fund	49
Motor Vehicle Accident Claims Fund	59

Superintendent's Report on Insurance 2004	71
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Message from the Chair and the Chief Executive Officer

We are pleased to present the annual report of the Financial Services Commission of Ontario (FSCO) for the fiscal year ending March 31, 2005. This is FSCO's seventh annual report on activities to enhance public confidence in the sectors it regulates – insurance, pension plans, credit unions and caisses populaires, mortgage brokers and the loan and trust industry.

Together, the regulated sectors represent key underpinnings for the Ontario economy and the financial security of families and individuals. The stakes are high. In Ontario, insurance is a \$30.8 billion a year business, credit unions and caisses populaires hold assets of \$22.7 billion, and pension plans have more than 2 million members counting on them for retirement income.

As regulator, FSCO's mandate is to protect financial services consumers and pension plan beneficiaries while supporting a healthy and competitive financial services industry. This report highlights the results FSCO achieved in delivering on this mandate in 2004-2005, working with the industry, consumer groups and other stakeholders.

Harmonization Gains Momentum

The regulatory environment continues to be influenced by the consolidation and merger of financial institutions, globalization of the marketplace and convergence in the financial services industry. These trends challenge regulators to address issues facing the industry through a cross-jurisdictional, cross-sectoral approach.

During the year, FSCO continued to support and in many cases lead efforts to harmonize financial services regulation at the national level. To cite just a few examples of the solid progress recorded:

- The Joint Forum of Financial Market Regulators – which represents insurance, pension and securities regulators – released Guidelines for Capital Accumulation Plans where members have investment choice, such as defined contribution pension plans and group RRSPs. The harmonized standards will ensure plan members receive the information needed to make sound decisions.
- The Canadian Association of Pension Supervisory Authorities consulted with pension stakeholders across Canada on proposed regulatory principles for a model pension law. As the next step, a stakeholder task force was created to turn the principles on plan administration and basic entitlement into detailed standards.
- The Canadian Council of Insurance Regulators harmonized the annual statements that life insurance companies file with regulators and developed harmonized licence application forms for insurance agents and brokers.

Risk-Based Monitoring Expanded

For some time, financial services regulators including FSCO have taken a risk-based approach to solvency oversight, focusing resources on higher-risk areas. Now FSCO is extending the risk-based approach to market conduct as well, in line with international regulatory practice. For example, risk-based market conduct assessments for general insurers were implemented in the area of statutory accident benefits and claims. By targeting resources, FSCO expects to make the supervisory process more effective for consumers and more efficient for the industry.



During the year, FSCO brought all its market conduct activities together by incorporating the functions of the former Ombudsman Services Branch into the Licensing and Market Conduct Division. This was one of a series of organizational changes to combine like activities and thereby create efficiencies, avoid duplication and improve FSCO's regulatory effectiveness and program delivery.

FSCO monitors the funding of defined benefit pension plans through a database and risk-selection system, now in its fifth year of operation. Risk-based monitoring in 2004-2005 led FSCO to take regulatory action on 153 plans where material compliance concerns were detected. Compliance was achieved in all cases.

As an extension of risk-based supervision, FSCO developed a risk-based monitoring program for pension fund investments. A test of a model process and reporting form was undertaken following consultations. FSCO intends to finalize the program for full implementation in 2006. The risk-based approach strengthens FSCO's capabilities to protect the interests of plan members.

Improving the Regulatory Framework

FSCO plays a dual policy-making role, advising the government on improvements to the regulatory framework and developing regulatory policies to guide the administration of the legislation in its mandate.

During the year, FSCO contributed to further automobile insurance reforms aimed at stabilizing costs, lowering premium rates and protecting consumers. The changes ranged from a ban on individuals convicted of certain criminal offences from representing statutory accident benefits claimants, to new restrictions on rating consumers by territory.

In dismissing the appeal in *Monsanto Canada Inc. v. Superintendent of Financial Services* in July 2004, the Supreme Court of Canada upheld the Superintendent's position that the *Pension Benefits Act* requires the distribution of surplus assets on the partial wind up of a pension plan. FSCO undertook a review of all relevant pension policies in light of the court's decision. As a result, FSCO updated four policies, confirmed that 21 policies are unaffected and has six policies still under review.

More Emphasis on e-Communication

With the increasing emphasis on digital communication in today's society, regulators must have the capacity to conduct business with the industry electronically and offer consumers online access to services.

Use of FSCO's Internet life agent application system remains high. By year end, approximately 44 per cent of all licence renewals for life insurance agents were processed over the Internet – consistent with 43 per cent a year earlier.

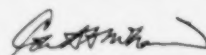
In May 2004, FSCO launched a dedicated auto insurance web portal, www.autoinsurance.gov.on.ca, to improve access to consumer-friendly advice about car insurance. The new portal provides a single window to FSCO's extensive auto-insurance-related information and services. As of early 2005, these resources include an Educational Auto Rate Tutorial that helps consumers understand how insurance rates are set and underlines the importance of shopping for the best deal.

With better access to information, consumers will be equipped to make wise choices and protect their interests.

Spirit of Partnership

On all sides of its mandate, FSCO has adopted a culture of partnership and dialogue. In 2004-2005, we continued to benefit from strong collaboration with consumer, industry and other stakeholders, and from a close working relationship with our dedicated staff. We thank our stakeholders and our employees for their indispensable support in meeting the challenges of a rapidly changing financial services environment.

Through continued partnership, we are confident FSCO will continue to maintain a responsive, constructive and forward-looking presence in Ontario's financial services marketplace.



Colin McNairn
Chair
Financial Services Commission of Ontario
Financial Services Tribunal



Bryan P. Davies
Chief Executive Officer
Financial Services Commission of Ontario
Superintendent of Financial Services



FSCO's Mandate, Structure and Resources

The Financial Services Commission of Ontario (FSCO) is a regulatory agency established under the *Financial Services Commission of Ontario Act, 1997* (the *FSCO Act*) and reporting to the Minister of Finance.

Public Interest Mandate

FSCO regulates insurance, pension plans, credit unions, caisses populaires, mortgage brokers, co-operative corporations and loan and trust companies in Ontario. Its mandate is to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors.

In delivering on its mandate, FSCO works to protect financial services consumers and pension plan beneficiaries and support a healthy and competitive financial services industry. FSCO is committed to being a vigilant, fair-minded and forward-looking regulator with a constructive and responsive presence in Ontario's financial services marketplace.

Three-Part Structure

FSCO encompasses three elements: the five-member Commission, the Superintendent of Financial Services and staff, and the Financial Services Tribunal (FST).

The five members of the Commission include the Chair and two Vice-Chairs, the Director of Arbitrations, and the Superintendent of Financial Services. Under the *FSCO Act*, the Commission has specific responsibilities, such as making recommendations to the Minister of Finance on matters affecting the regulated sectors.

The Superintendent of Financial Services is also FSCO's Chief Executive Officer. He is responsible for the general supervision of the regulated sectors, the administration and enforcement of the *FSCO Act* and other statutes governing the regulated sectors, and FSCO's financial and administrative affairs. FSCO's staff, made up of public servants, support the Superintendent in carrying out these roles.

The FST is an adjudicative body that conducts hearings arising from regulatory and proposed regulatory decisions of the Superintendent.

Human and Fiscal Resources

FSCO's offices are located in north Toronto. As of March 31, 2005, the agency had 483 full-time positions and an annual budget of approximately \$47 million. FSCO's costs are recovered from the regulated sectors. During the year, FSCO increased its staff complement from 439 by adding 44 staff to respond to increased needs, such as the impact of the *Monsanto* pension ruling, automobile insurance reform and growth in demand for FSCO arbitration services.



The Regulated Sectors in Profile

Together, the regulated sectors represent a large, dynamic and evolving industry that underpins the health of the provincial economy and contributes to the financial security of individuals and families. The industry is a major employer, investment source and provider of services to consumers and businesses.

Insurance

Insurance is a \$30.8 billion industry in Ontario. Premium volumes in 2004 remained consistent with those in the previous year. The split of the total premium dollar between types of insurers also held relatively steady: 43 per cent went to life insurance companies and 56 per cent to property and casualty (including automobile) insurers. As of March 31, 2005, there were 391 insurance companies licensed to do business in the province, as well as approximately 34,630 insurance agents, 3,780 corporate insurance agencies and 1,273 insurance adjusters.

Insurance Companies Licensed in Ontario

<i>Business Type</i>	<i>As of March 31, 2005 #</i>	<i>As of March 31, 2004 #</i>
Life	93	93
Property & Casualty	221	217
Other	77	74
Total	391	384

Direct Insurance Premium Volume in Ontario

<i>Business Type</i>	<i>2004 \$ Billion</i>	<i>2003 \$ Billion</i>
Life	13.3	14.0
Property & Casualty	17.1	16.8
Other	0.31	0.3
Total	30.7	31.1



Deposit Institutions, Mortgage Brokers, Co-operatives

Ontario's 234 credit unions and caisses populaires held total assets of \$22.7 billion as of March 31, 2005. The trend toward amalgamation continued, with credit unions and caisses populaires increasing their total assets during 2004-2005 despite a decrease in their number. Regulatory capital* in support of deposits represented 7.08 per cent of system assets in 2005, unchanged from 2004 and up from 6.84 per cent in 2003, reflecting a sound industry. Membership in credit unions and caisses populaires remained constant at about 1.6 million.

At year end, 50 loan and trust companies were registered to operate in Ontario. All were federally incorporated.

Twenty-seven new co-operatives incorporated during 2004-2005 – 16 in services, three in housing, two in development, two in marketing and four worker co-operatives. Two amalgamations also took place. In all, there were 1,748 co-operatives in Ontario as of March 31, 2005.

At year end, 701 mortgage brokers were registered in the province and employed approximately 6,500 agents. These totals were up from 600 brokers employing about 5,100 agents a year earlier.

*Under Ontario Regulation 76/95 under the *Credit Unions and Caisses Populaires Act, 1994*, credit unions and caisses populaires are required to maintain adequate regulatory capital, that is, capital equal to at least five per cent of total assets. This is determined by FSCO using a set of rules based upon standards developed by the Bank for International Settlements.

Ontario Credit Unions and Caisses Populaires

Measure	As of March 31, 2005	As of March 31, 2004
All Institutions		
Number	234	251
Assets	\$22.7 billion	\$21.7 billion
Institutions with Assets over \$10 million		
Number	160	172
Assets	\$22.4 billion	\$21.5 billion



Pension Plans

Employment pension plans are an important dimension of retirement financial security in Ontario. FSCO regulates all Ontario-registered pension plans.

Most pension plan members belong to one of the following types of plans:

- *Defined benefit plans* provide a predetermined benefit level during retirement.
- *Defined contribution plans* specify the amount of contributions and provide benefit payments based on accumulated contributions plus investment yield.
- *Multi-employer pension plans (MEPPs)*, either defined benefit or defined contribution, are established mainly in industries or trades where workers tend to change employers frequently.

The province's seven largest public-sector plans have a combined membership of 1,065,000 and \$148 billion in total assets (at market value). In the private sector, the 10 largest single-employer plans have a combined membership of 191,000 and \$33 billion in total assets (at market value), while the five largest multi-employer plans have a combined membership of 394,000 and \$5.3 billion in total assets (at market value).

In 2004-2005, the number of pension plans increased by four per cent to 6,518 while total active plan membership increased by 1.5 per cent to 2,056,736.

The distribution of members between the different types of plans remained consistent with the previous year. While MEPPs represented only 2 per cent of active registered plans, they accounted for 44 per cent of plan membership.



Ontario-Registered Active Pension Plans and Membership

Type	As of March 31, 2005		As of March 31, 2004	
	#	% of Total	#	% of Total
Defined Benefit Plans	3,113	48%	2,811	45%
Members	849,853	41%	868,612	43%
Defined Contribution Plans	3,280	50%	3,324	53%
Members	293,817	14%	280,257	14%
Multi-Employer Plans				
Defined Benefit	85	1%	83	1%
- Members	891,500	43%	856,053	42%
Defined Contribution	40	1%	36	1%
- Members	21,566	1%	20,593	1%
Total Pension Plans	6,518	100%	6,254	100%
Members	2,056,736	100%*	2,025,515	100%

*Percentages do not add due to rounding.



FSCO at Work

Reorganization Boosts Efficiency, Effectiveness

During 2004-2005, FSCO streamlined its organizational structure to bring like functions together and thereby create efficiencies, reduce duplication and improve regulatory effectiveness and program delivery.

All consumer communications functions – including the website, correspondence and public inquiries through the Contact Centre – were combined in the Corporate Policy and Public Affairs Branch.

A new Corporate Services Division amalgamated human resources, facilities, administration, planning, finance and accounting, and information technology services with business process review activities. This organizational change increased synergies among FSCO's corporate support areas.

All of FSCO's functions related to the automobile insurance product were consolidated in one area by expanding the Auto Insurance Division to include dispute resolution services.

FSCO provides staff support for three national bodies – the Canadian Association of Supervisory Pension Authorities (CAPSA), the Canadian Council of Insurance Regulators (CCIR) and the Joint Forum of Financial Market Regulators. Support functions for the three national secretariats were realigned under a single Regulatory Coordination Branch, strengthening the capacity to plan, develop and deliver leadership for regulatory harmonization.

FSCO's roles evolve with the regulatory environment. With some solvency responsibilities moving to the federal level, FSCO's Licensing and Market Conduct Division increasingly focussed on market conduct regulation. At the same time, improved industry-based complaint resolution services emerged, enabling FSCO's Ombudsman Services Branch to put more emphasis on broader market conduct issues. To further strengthen market conduct oversight, FSCO brought all market conduct activities together by integrating the functions of the Ombudsman Services Branch into the Licensing and Market Conduct Division.

These organizational changes position FSCO to provide efficient and effective regulatory services going forward.

FSCO Active in Eight Areas

FSCO delivers a variety of regulatory services in fulfilling its mission to protect consumers and pension plan beneficiaries and support a healthy and competitive financial services industry. The following overview reports on FSCO's activities during 2004-2005 in eight key areas:

- Licensing and monitoring
- Enforcement
- Overseeing pension plans
- Support for the automobile insurance system
- Resolving automobile accident benefits disputes
- Policy development
- Consumer protection through information
- Getting the most from organizational resources



Licensing and Monitoring

To protect the public interest, FSCO licenses and registers individuals and enterprises to offer financial services and monitors market conduct and compliance with legislation and regulations.

Application Volume High

In 2004-2005, FSCO received more than 27,000 licensing, registration and other applications. Applicants must meet requirements under the relevant statutes, which may include a qualifying examination and continuing education.

Use of FSCO's Internet application system remained high. By year end, approximately 44 per cent of all licence renewals for life insurance agents were processed over the Internet – comparable to 43 per cent a year earlier. The totals include agents moving from sponsored agent status (Level I) to unsponsored agent status (Level II).

Licensing and Registration Activity

<i>Activity</i>	<i>2004-2005 #</i>	<i>2003-2004 #</i>
Individuals		
<i>New Licences Issued</i>		
Life insurance agents	3,470	3,767
General insurance agents	944	829
Accident and sickness insurance agents	287	200
Insurance adjusters	120	175
Paralegal SABS representatives	250	400
<i>Licences Renewed</i>		
Life insurance agents*	14,565	8,004
General insurance agents*	2,094	1,919
Accident and sickness insurance agents	154	158
Insurance adjusters	1,053	1,094
Moves from Life Agent Level I to Level II	1,569	1,697

Corporations

New Licences Issued

Life and general insurance agencies	303	313
Corporate insurance adjusters	4	7
Loan and trust companies	8	3
Insurance companies	7	7

New Registrations Issued

Mortgage brokers	146	113
Loan and trust companies	8	3

Licences Renewed

Life and general insurance agencies*	2,123	871
Corporate insurance adjusters	118	120

Registrations Renewed

Mortgage brokers	555	487
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Co-operatives

Offering statements	17	17
New incorporations	27	22
Dissolutions/cancellations	5	2

Credit Unions/Caisses Populaires

New incorporations	0	0
Applications to change line of business	136	140
Mergers	15	12

* Licences are issued for a two-year term. There are high-year and low-year renewal cycles; 2004-2005 was a high year.



Monitoring Compliance and Market Conduct

FSCO employs a variety of tools to oversee market conduct and promote compliance with legislation and regulations across the financial services industry. These tools include analysis of industry filings, use of surveys and questionnaires, audits of applications, police checks, off- and on-site examinations and review of complaints.

Monitoring Financial Compliance

During the year, FSCO enhanced the risk-based solvency monitoring of Ontario-incorporated insurance companies, the Deposit Insurance Corporation of Ontario, credit unions and caisses populaires. Risk-based monitoring is achieved by evaluating risk profiles, financial condition, risk management processes and legislative compliance. Field examinations are targeted based on an assessment of risk. This approach reinforces FSCO's ability to assess the financial safety and soundness of regulated entities.

During the year, FSCO cross-trained examination staff to handle assignments in different sectors. Pension plans are a key area for cross-training to position FSCO to address emerging risks in this sector. In 2004-2005, FSCO conducted 30 pension plan examinations selected through a risk-based approach.

Monitoring Business Practices

FSCO is placing more emphasis on the risk-based review of insurers' business practices. The aim is to make the market conduct oversight process work better for both consumers and the industry by focusing resources on higher-risk areas.

In 2004-2005, FSCO developed a new risk-based market conduct assessment process for general insurers in the area of statutory accident benefits and claims. Seven companies completed and filed assessments by February 2005, with on-site examinations scheduled for 2005-2006. The goal is to ensure that claimants are being fairly treated in accordance with the law.

In June 2005, FSCO released a report on risk-based market conduct assessments of life insurers concerning trading practices for individual variable insurance contracts (segregated funds). The review, which began in 2004, concluded that trading abuses which could negatively impact investor confidence in individual variable insurance contracts were not taking place.

As well, FSCO undertook a risk-based review of insurers' practices and procedures for implementing filed and approved auto insurance rates, risk classification systems and underwriting rules.

During the year, FSCO began to strengthen its capability to analyze market conduct trends and identify risks and emerging issues. For example, in-depth reports will incorporate not only FSCO data on complaints and consumer inquiries but also information from the news media, rating agencies and the work of other regulators. This approach reflects a move from case-handling and problem-solving toward a focus on the "big picture" through market surveillance and risk analysis.

Responding to Consumer Complaints

Consumer complaints reflect customer dissatisfaction and can signal market conduct problems. The review of complaints is a cornerstone of a risk-based approach to market conduct oversight.



Insurance

With the creation of the national Financial Services OmbudsNetwork (FSON), which deals with insurance complaints through independent, industry-funded OmbudServices, FSCO's role in the complaint process for this sector has changed. FSCO receives fewer complaints directly, while maintaining an oversight role to ensure that all complaints are addressed professionally, quickly and with recourse to an independent body.

Each Ontario insurance company is required to utilize a third party to review unresolved complaints independently. Most insurers are members of an OmbudService under FSON. For property and casualty companies, the independent third party is the General Insurance OmbudService (GIO), and for life and health companies it is the Canadian Life and Health Insurance OmbudService (CLHIO). FSCO is usually the independent third party for unresolved complaints involving companies that are not FSON members.

The Director of FSCO's Market Conduct Branch has assumed the responsibilities of the Insurance Ombudsman under the *Insurance Act* and, in this capacity, provides insurance consumers with a final avenue for the resolution of complaints.

Other Sectors

In non-insurance sectors, FSCO inquires into complaints that have not been resolved by a regulated entity, if the complaint includes allegations of non-compliance with legislative or regulatory requirements. FSCO's presence offers consumers somewhere to turn.

Market Conduct Monitoring Activities

Activity	2004-2005	2003-2004
Examinations Conducted		
Insurance companies	27	35
– solvency		
Statutory accident benefits claims practices	0*	7
Pension plans	30	35
Mortgage brokers	45	52
Credit unions/ caisses populaires	3	3
Loan and trust companies	n/a**	2
Police Checks of Insurance Agent Licence Applications	24,882	18,583
Life Agent Audits		
Continuing education	524	653
Errors & omissions insurance	4,055	1,344
SABS Representatives Audits		
Errors & omissions insurance	215	283
Insurance Complaint Reviews	119	141
* Seven companies filed risk-based market conduct assessments, with examinations scheduled for 2005-2006.		
**All loan and trust companies operating in Ontario are now federally incorporated.		
Complaints Involving Non-Insurance Sectors		
Sector	2004-2005 #	
Mortgage Brokers	126	
Credit Unions	11	
Loan & Trust	2	
Co-operatives	5	



Enforcement

As a follow-up to its regular monitoring activities, FSCO may determine that some matters require further scrutiny. FSCO investigates allegations of misconduct, unfair practices and noncompliance with legislation or regulations, and takes enforcement action if warranted in any regulated sector.

During 2004-2005, FSCO secured a total of 20 convictions or guilty pleas. These cases dealt with such offences as acting as an unlicensed insurance agent, acting as a life insurance agent without errors and omissions coverage, failure to file financial statements under the *Mortgage Brokers Act* and failure to remit pension contributions.

The majority of matters dealing with the licences of *insurance agents and adjusters* are resolved by minutes of settlement, without a hearing. However, an affected person does have the right to a hearing. Advisory Boards hold hearings and make recommendations to the Superintendent on whether to grant or refuse a new licence, or revoke or suspend an existing licence of agents and adjusters. Each board includes a representative of agents or adjusters, a representative of insurers and a representative of the Superintendent. Six matters were heard by Advisory Boards in 2004-2005, compared with seven the previous year.

Enforcement Actions

Type	2004-2005 #	2003-2004 #
Insurance		
Licences Revoked	22	14
Licences Surrendered	193	28
Licences Suspended	13	15
Licence Conditions via Minutes of Settlement	0	3
Letters of Censure	86	44
Revocation of Agent Sponsorship	3	10
SABS Representatives		
Delisted	44	19
Minutes of Settlement	6	0
Letters of Caution	15	0
Cease and Desist Orders	9*	2
Prosecutions Completed	20	26
TOTAL	411	161

*Four of the nine Interim Cease and Desist Orders issued in 2004-2005 became Final Cease and Desist Orders.



FSCO conducted more than 4,000 audits of life agent errors and omissions coverage in 2004-2005, triple the number the year before. This intensified monitoring led to a nearly seven-fold increase in licences surrendered, to 193.

Under the 2003 automobile insurance reforms, someone who is not a practicing lawyer and who acts as an adviser, consultant or representative on behalf of a claimant concerning a claim for statutory accident benefits (SABS), must meet requirements contained in regulations. These provisions include filing a declaration with FSCO, purchasing errors and omissions insurance coverage, adhering to a code of conduct and other requirements. In 2004-2005, FSCO investigated 56 complaints and reports of misconduct about SABS representatives. Enforcement action was taken in 24 of these cases, including two prosecutions, to protect claimants from unqualified and dishonest representatives.



Overseeing Pension Plans

The *Pension Benefits Act* and Regulations establish minimum standards for the administration and funding of pension plans for employees in Ontario. FSCO monitors and enforces compliance with the legislation and regulations.

Under the Act, the Superintendent of Financial Services makes regulatory decisions on various plan transactions. Some of these powers may be delegated to staff.

The chart on the next page enumerates pension plan transactions processed by FSCO in 2004-2005. FSCO also processes routine pension plan filings, which totaled 19,432 in 2004-2005, a six per cent increase from the previous year.

When companies become insolvent, the Superintendent normally appoints a third-party administrator to ensure that pension plans are properly wound up. As of March 31, 2005, FSCO was coordinating the administration of 215 plans for insolvent companies, a level virtually unchanged from 212 a year earlier.

FSCO administers the Pension Benefits Guarantee Fund (PBGF) established under the Act. The PBGF provides a minimum level of protection to members of most single-employer defined-benefit plans registered in Ontario. This protection applies when a plan winds up in whole or in part and the pension fund does not have sufficient assets to pay the promised pensions. Financial statements for the PBGF may be found on pages 49-58 of this annual report.



Pension Plan Transactions Processed

Type	2004-2005 #	2003-2004 #
New Plans Registered		
Defined Benefit	230	205
Defined Contribution	91	116
Total	321	321
Plan Amendments Registered	2,222	2,465
Full Wind-ups Processed		
Defined Benefit	82	93
Defined Contribution	104	145
Total	186	238
Partial Wind-ups Processed		
Defined Benefit	48	70
Defined Contribution	20	45
Total	68	115
Plan Mergers/Asset Transfers Approved		
Defined Benefit	21	86
Defined Contribution	15	47
MEPP	5	2
Total	41	135
Surplus Refunds to Employers on Full Wind-up Applications		
Defined Benefit	9	23
Defined Contribution	2	2
Total	11	25

Pension Benefits Guarantee Fund

Claims Paid	2004-2005	2003-2004
Number	26	15
Total value	\$383,077,970*	\$136,368,067

*Includes a claim in the amount of \$287,300,000 (RC 335802 - Algoma Steel Inc. - Non-contributory Pension Plan for Hourly Paid - May 14, 2004).



Risk-Based Pension Supervision

FSCO has developed and implemented a database and risk selection system to monitor the funding of defined benefit pension plans. The system strengthens FSCO's capabilities to protect the interests of plan members by ensuring compliance with the funding requirements under the legislation.

Highlights of risk-based monitoring of plan funding in 2004-2005 include:

- Actuarial information summary reports for 1,769 plans were entered and screened through the system.
- Of the plans screened, the system gave warning signals of possible problems with 760 plans.
- FSCO took regulatory action on 153 plans where material compliance concerns were revealed; compliance was achieved for all of these plans through remedial actions by plan sponsors, administrators and actuaries.
- FSCO uncovered a total of \$9.7 million in unpaid contributions in respect of 21 plans, which have since been remitted to the plans by the sponsors.

As an extension of the risk-based supervision of plan funding, FSCO developed a risk-based monitoring program for pension fund investments. In July 2004, FSCO released a consultation paper on the proposed monitoring model and corresponding investment information summary (IIS) form. More than 20 submissions were received from pension industry stakeholders. In response, FSCO simplified the proposed monitoring program, for example, by shortening the IIS form and making it more consistent with other statutory filings.

As the next step, FSCO undertook a test of the monitoring program, with the IIS form sent to 300 defined benefit pension plans in March 2005. FSCO intends to finalize the model and form and fully implement the program by spring 2006.

Regulatory Policy Initiatives

In July 2004, the Supreme Court of Canada dismissed the appeal of *Monsanto Canada Inc. v. Superintendent of Financial Services*. The decision upheld the Superintendent's position that the *Pension Benefits Act* requires the distribution of surplus assets on the partial wind up of a pension plan. FSCO undertook a review of all relevant pension policies, which guide the administration of pension legislation, in light of the Supreme Court ruling. As a result, FSCO updated four policies:

- Application by Employer for Payment of Surplus on Full Wind Up of a Pension Plan
- Application by Employer for Payment of Surplus on Partial Wind Up of a Pension Plan
- Filing Requirements and Procedure on Full or Partial Wind Up
- Partial Wind Up – Identification and Administration of Surplus

FSCO also confirmed that 21 policies dealing with plan wind up and surplus are unaffected, while a further six policies remained under review at year end. Guidelines on the steps required of stakeholders as a result of the Supreme Court's *Monsanto* decision were posted on FSCO's website.



As well, the pension policy on Costs for Wind Up and Surplus Applications was updated for reasons unrelated to the *Monsanto* ruling, and the following new policies were published:

- Consent Benefits Where Amount of Benefit not Determinable
- 2005 LIF Maximum Payment Amount Table
- Conversion of a Plan from Defined Benefit to Defined Contribution

FSCO also addressed the implications of another Supreme Court of Canada ruling. In July 2004, the Supreme Court dismissed an application for leave to appeal the Ontario Court of Appeal decision in *Aegon Canada and Transamerica Life v. ING Canada*. The Court of Appeal decision cast doubt on the Superintendent's authority to consent to the transfer of pension plan assets subject to a trust. FSCO issued a notice setting out which types of asset transfer applications on sale or merger could be considered in light of this court case. The notice also indicated that staff will continue to review additional circumstances where asset transfer applications can be considered.

Access to Locked-In Accounts

Individuals entitled to a deferred pension when they terminate membership in a registered pension plan have the option of transferring the value of the pension benefit to a locked-in retirement savings account. Money payable from this account can be used only to provide retirement income, normally after age 55 and with limits on the minimum and maximum payments in any one year.

However, individuals may obtain special access to their locked-in accounts in certain prescribed conditions of financial hardship. FSCO processes applications for financial hardship unlocking. The volume of applications has increased steadily since the program's inception in 2000.

Financial Hardship Unlocking Applications Processed

<i>Applications</i>	<i>2004-2005 #</i>	<i>2003-2004 #</i>
Received	10,129	9,529
Approved	8,932	8,302
Refused	9	42



Support for the Automobile Insurance System

Automobile insurance is compulsory for Ontario drivers. To protect the public interest, FSCO has significant regulatory responsibilities in this area.

Automobile Insurance Reform Continues

In 2004-2005, the Ontario government introduced further automobile insurance reforms aimed at stabilizing costs, lowering premium rates and protecting consumers. FSCO was involved in the following changes:

- banning individuals convicted of certain *Criminal Code* offences from representing statutory accident benefits claimants;
- introducing new restrictions on rating consumers by territory, to ensure that rates are fair and reasonable;

- prohibiting insurers from rating consumers based on financial (e.g. credit score) and lifestyle (e.g. residence history) factors;
- prohibiting insurers from rating ambulance drivers, police officers and firefighters who have had an accident responding to an emergency in an emergency vehicle;
- prohibiting insurers from terminating a policy due to non-payment of premium if the consumer delivers the payment before the termination date; and
- reinforcing an insurer's obligation to provide policyholders with an endorsement to exclude specific drivers from a policy on request, and strengthening the endorsement wording about the consequences if excluded drivers continue to drive.

Automobile Insurance Rate Filings Processed

Measure	2004-2005				2003-2004			
	Major Filings #	Simplified Filings #	CLEAR Filings #	Total #	Major Filings #	Simplified Filings #	CLEAR Filings #	Total #
Private-passenger automobile								
Rate filings received	41	51	24	116	45	29	6	80
Average number of days to review and approve filings*	16	10	9	12	54	30	19	43
Filings with rate increases	3	0	0	3	38	0	6	44
Filings with rate decreases	32	45	17	94	1	29	0	30
Filings with no change to rate levels	6	6	7	19	6	0	0	6

*Average number of days calculated differently where filing made under Bill 5 in 2004-2005.



Reviewing Auto Insurance Rates

To protect consumers, automobile insurers are required to obtain FSCO's approval to change their rates or systems for classifying risks. In 2004-2005, the rate review process saved consumers an estimated \$218 million, based on the difference between rates as originally filed and finally approved.

In early 2004, companies were required to submit private passenger rate filings under the *Automobile Insurance Rate Stabilization Act, 2003* (Bill 5) to take into account cost savings from auto insurance reforms. Simplified Filing Guidelines were released for use where the insurer proposed a rate reduction of at least 10 per cent on an all-coverages-combined basis. In June 2004, changes were made to Bill 5 enabling insurers to apply for further rate reductions based on the reforms.

In September 2004, the Superintendent requested insurance companies to participate in an industry-wide refile of rates for physical damage coverage to take into account the Canadian Loss Experience Automobile Rating (CLEAR) system. CLEAR groups vehicles by their actual claims experience so premiums can be accurately aligned with risks.

Overall, the average change in rate levels for private passenger automobile coverage for filings approved under Bill 5 between January 23, 2004 and March 31, 2005 was a decrease of 10.68 per cent.

During the year, FSCO further developed a web-based e-filing system – the Automated Rates and Classifications Technical Information Communication System (ARCTICS) – with a view to launching it industry-wide. ARCTICS will enable auto insurers to submit filings electronically.

Automobile Insurance Rate Filings Processed

Non-Private-Passenger Automobile	2004-2005 #	2003-2004 #
Rate filings received	193	351
Average number of days between receipt of filing and filing considered complete	11	3
Average number of days to review and authorize filings	31	31
Filings with rate increases	31	137
Filings with rate decreases	106	162
Filings with no change to rate levels	56	52

Designated Assessment Centres

Designated Assessment Centres (DACs) are independent health care providers and facilities that provide impartial assessments of injuries to help claimants and insurers resolve disputes about statutory accident benefits. FSCO provides support for the Minister's Committee on the DAC System, which was created by and reports to the Minister of Finance. The committee appoints DACs to a roster, specifies the types of assessment each can conduct and develops assessment guidelines.

During 2004-2005, FSCO continued to work with the Ministry of Finance on reforms to streamline the assessment process by ending the role of DACs. Two separate consultations were conducted with stakeholders. The Statutory Accident Benefits Schedule has been amended to eliminate DACs effective March 1, 2006. The amendments include provisions for health care assessments as part of the claims process after that date. A dispute over assessment or examination findings or benefit determinations will proceed directly to the dispute resolution system at FSCO.

*Designated Assessment Centres**

<i>Measure</i>	<i>2004 #</i>	<i>2003 #</i>
Total number of DACs	105	107
Referrals to DACs	28,691	21,330
Assessments completed	24,665	16,375
Complaints reviewed by FSCO	121	110

*Activity recorded on a calendar year basis.



Motor Vehicle Accident Claims Fund

To help victims of auto accidents involving uninsured or unidentified vehicles, FSCO administers the Motor Vehicle Accident Claims Fund (MVACF). The fund provides compensation to people injured in such accidents, where the injured person does not have access to other insurance coverage.

MVACF is financed by a three-dollar levy on each Ontario driver's license issued or renewed annually. During the year, the government established a stable funding structure for MVACF by increasing the levy from the previous level of one dollar. MVACF also recovers third-party liability payments from uninsured motorists responsible for accidents, and arranges for the suspension of the driver's licences of motorists who are in default.

MVACF's financial statements appear on pages 59-69 in this annual report.

Motor Vehicle Accident Claims Fund

<i>Measure</i>	<i>2004-2005</i>	<i>2003-2004</i>
New claims reported (#)	574	573
Total cash payouts	\$10.7 million	\$10.7 million
Total statutory accident benefits claims (#)	425	335
Total statutory accident benefits payments	\$6.9 million	\$7.6 million
Total third party liability claims paid (#)	151	110
Total third-party liability payments for bodily injury and property damage	\$3.8 million	\$3.1 million
Collection of repayments	\$1.8 million	\$1.9 million
Suspended driver's licences (#)	495	490
Reinstated driver's licences (#)	316	327
Repayments processed (#)	10,310	10,910
Debtors making payments (#)	1,175	1,274
Active accounts receivable (#)	1,717	1,810



Resolving Automobile Accident Benefits Disputes

FSCO offers dispute resolution services where claimants and automobile insurers disagree about entitlement to statutory accident benefits or the amount of benefits. FSCO's dispute resolution services originated in 1990 as part of the no-fault automobile insurance system and provide a fast and cost-effective alternative to the courts. A full range of options is available – including mediation, arbitration, neutral evaluation, appeal of arbitration decisions, and variation or revocation of arbitration or appeal decisions.

Mediation at FSCO is the mandatory first step in the dispute resolution process. No one can take an accident benefits dispute to arbitration or to court without participating in mediation at FSCO. If a dispute is not resolved through mediation, the claimant can take the dispute to arbitration at FSCO, start a court case, or with the insurance company's agreement, send the dispute to private arbitration.

If the case goes to a FSCO arbitrator, his or her decision can be appealed by either party to FSCO's Director of Arbitrations on a question of law. There is no further appeal from a decision of the Director or delegate, although judicial review may be possible. As well, a variation/revocation process comes into play where the insured person's condition has changed materially since the original decision, new evidence has become available or there is an error in the order.

Trends in Mediation and Arbitration

Legislative amendments introduced in October 2003 had an impact on the volume and nature of FSCO's dispute resolution activity during 2004-2005. These changes included "pre-approved frameworks" for some common injuries, restrictions on settlements within one year of the accident, new requirements for paralegal SABS representatives and revised criteria for awarding arbitration and appeal expenses.

Dispute Resolution Services Activities

Measure	2004-2005 #	2003-2004 #
Mediation		
New applications received	14,047	16,305
Cases closed	14,155	17,283
Settlement rate — full	37%	45%
Settlement rate — partial	18%	17%
Arbitration		
New applications received	2,657	2,114
Cases closed	2,040	1,856
Settled	1,834	1,648
Decisions issued	144	142
Appeals		
New applications received	40	49
Cases closed	55	54
Settled	9	8
Decisions issued	25	33



While other factors were also involved, the overall result was fewer applications for mediation, which declined 14 per cent in 2004-2005 compared with 2003-2004. As well, the legislative restrictions on early settlements meant that fewer cases were fully resolved at mediation, although partial settlements were reached at about the same rate as the previous year.

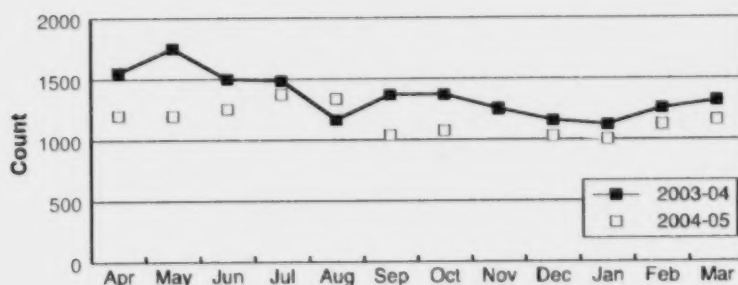
On the other hand, arbitration applications rose dramatically in 2004-2005, with a 25 per cent increase over 2003-2004 and a 53 per cent increase over 2002-2003. This upswing appears attributable to a combination of factors, such as the high volume of mediation cases prior to the 2003 legislative changes, the reduced full settlement rate after those amendments and a higher proportion of unsuccessful mediations going to FSCO arbitration (as opposed to court, private arbitration or no formal process).

FSCO responded to the growth in arbitration cases with intensified settlement efforts and succeeded in closing more files. However, the increased volume limited FSCO's ability to schedule pre-hearings and hearings within published performance standards.

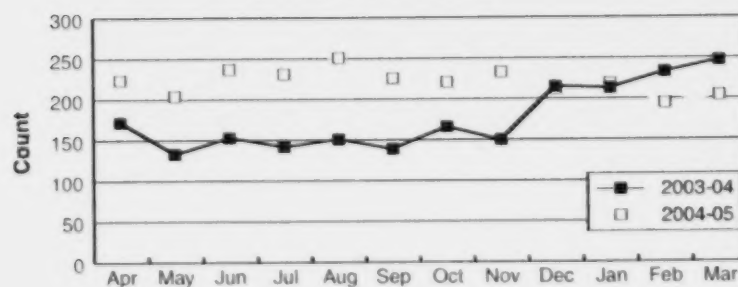
Once hearings were held, most arbitration decisions continued to be released in a timely manner. As in the previous year, 73 per cent of decisions were issued within the published time frame of 85 days after the conclusion of the hearing. The median time for issuing a decision was 44 days, compared with 52 days in 2003-2004.

FSCO arbitrators and appeals officers released many significant decisions during 2004-2005, interpreting the new regulations and other aspects of the *Insurance Act* and the *Statutory Accident Benefits Schedule* and addressing procedural issues. These decisions, as well as previous years' cases, are posted on the FSCO website.

Mediation - Intake



Arbitration - Intake





Policy Development

FSCO plays a dual policy development role. Based on the analysis of business and consumer trends in the regulated sectors, FSCO makes recommendations to the government for changes in laws and regulations. FSCO also develops regulatory policy to guide the ongoing administration of the legislation in its mandate.

A crucial element of policy development is regular communication and consultation with representatives of the regulated sectors. This communication takes place through both advisory committee meetings and more informal channels. Ongoing stakeholder input helps FSCO identify and respond to emerging issues and recommend workable policy solutions.

Advances in National Coordination

In shaping policy, FSCO supports the harmonization of financial services regulation at the national level. FSCO plays a leading role in the Canadian Council of Insurance Regulators (CCIR), the Canadian Association of Pension Supervisory Authorities (CAPSA) and the Joint Forum of Financial Market Regulators. The Joint Forum includes representatives of CCIR, CAPSA, the Canadian Securities Administrators and the Canadian Insurance Services Regulatory Organizations (CISRO).

Joint Forum Highlights

In spring 2004, the Joint Forum released Guidelines for Capital Accumulation Plans (CAPs), the culmination of a long-term initiative which FSCO led. A CAP is a tax-assisted investment or savings plan that permits the members to choose among investment options. Examples include defined contribution pension plans and group registered retirement savings plans. The guidelines are designed to ensure that members receive the information and assistance needed to make investment decisions.

In another long-term project involving FSCO participation, the Joint Forum led the development of practice standards for the sale of financial products and services by intermediaries. Released in early 2005, this paper outlines the standards of professionalism and fair conduct that Canadian consumers should be able to expect no matter what type of financial product or service they purchase, how they purchase it or the regulatory regime that applies.

CCIR Highlights

FSCO led a joint CCIR-CISRO committee on the review of relationships between insurers and sales intermediaries. In the first phase of its review, the committee sent a questionnaire to insurance companies about their relationships with brokers, agents and other intermediaries. Based on the responses, the committee worked on a discussion paper for release in spring 2005.

FSCO also took part in a CCIR initiative to harmonize the annual statements that life insurance companies file with their regulators. The new annual returns will be used by all provinces and territories as well as the federal government, effective with the 2005 year end.

As well, FSCO played a central role in developing harmonized licence applications for life agents, accident and sickness agents, general agents and general brokers. Beginning in September 2005, insurance agents or brokers applying for a non-resident licence in another Canadian jurisdiction (except the Yukon) will use the new application forms. In addition, Ontario and three other jurisdictions will accept the application forms from residents applying to become licensed in their home jurisdiction.



In addition, FSCO led a working group that developed an enhanced governance model for oversight of the Automobile Insurance Statistical Plan.

CAPSA Highlights

FSCO chairs CAPSA's initiative to develop a model pension law for consideration by governments across the country. From January through June 2004, CAPSA consulted with pension stakeholders on a discussion paper outlining proposed regulatory principles for a model law. The largest number of principles, primarily those related to plan administration and basic entitlement, were viewed as non-contentious.

In early 2005, CAPSA created a stakeholder task force to turn the non-contentious principles into detailed standards that will promote harmonized legislation and regulations. The more contentious principles will be developed over the longer term.

Enhancing Ontario's Regulatory Framework

During the year, FSCO participated in several policy projects to enhance Ontario's regulatory framework for financial services.

FSCO helped develop amendments to the *Co-operative Corporations Act* designed to improve co-operative corporations' ability to respond to changing market conditions and meet the needs of their members. The amendments will also facilitate capital-raising and help co-operative corporations attract well qualified directors and officers.

FSCO worked with the Ministry of Finance on regulatory amendments to implement an updated, harmonized solvency test for property and casualty insurance companies in Ontario. The new test improves consumer protection by providing a more accurate assessment of insurers' financial stability.

The government made regulatory amendments to introduce new standards for the disclosure of conflicts of interest by life insurance agents, improving consumer protection. The amendments also eliminate unnecessary barriers to becoming a life insurance agent and remove unnecessary restrictions on operating an agency. New disclosure-of-conflict-of-interest standards for property and casualty insurance brokers were also introduced. FSCO worked with the Ministry of Finance, the Registered Insurance Brokers of Ontario and stakeholders to develop these amendments.

FSCO assisted with the development of further automobile insurance reforms, as outlined in the section on Support for the Automobile Insurance System. New regulatory policies to guide the administration of pension legislation are noted in the section on Overseeing Pension Plans.

As well, FSCO staff advised other ministries on legislative changes that touched on areas within FSCO's mandate. For example, FSCO provided input to the Ministry of Labour on the elimination of mandatory retirement at age 65 in Ontario.



Consumer Protection through Information

Today's financial marketplace offers consumers more choice than ever before. Whether it's looking for auto insurance, negotiating a mortgage, or deciding how to invest money and save for retirement, the options are many and varied. Moreover, financial products and services are complex and decisions about them can have lasting consequences.

For all these reasons, consumer education is a crucial facet of consumer protection in the financial services industry. FSCO provides access to current, accurate and balanced information to educate consumers to make informed choices. In 2004-2005, FSCO intensified consumer education efforts, with automobile insurance as a priority.

Communicating through the Internet

In February 2005, FSCO inaugurated the online Educational Auto Rate Tutorial to help consumers gain a better understanding of how insurance rates are set. This interactive learning tool shows how rates are based on a multitude of factors that different companies may weigh differently. It underlines the importance of shopping for insurance by illustrating the savings that consumers can find by getting more than one quote.

The tutorial is accessible through FSCO's auto insurance web portal launched earlier, in May 2004, to improve access to consumer-friendly advice about auto insurance. The new portal – www.autoinsurance.gov.on.ca – can also be

entered through FSCO's main website. It provides consumers with a single window on FSCO's auto-insurance-related information and services. The material on the auto insurance web portal was reformatted and rewritten to be more visually attractive and easier to read.

FSCO's main website – www.fSCO.gov.on.ca – is FSCO's principal means of communicating with the public. This comprehensive site includes FSCO bulletins, lists of licensed insurance agents, updates on recent changes to financial services legislation and regulations as well as electronic versions of consumer brochures and much more.

Given the website's value, FSCO undertook a redesign to make the site easier to use and understand, improve the organization of information and reflect user priorities. Extensive research and consultation were completed to ensure the final product meets user needs. While work on the redesign proceeded, FSCO made immediate site improvements, such as the introduction of a faster search engine. In addition, FSCO implemented software for analyzing the nature of website usage and visitor choices as a guide to future site modifications.

Media Campaign Has Wide Reach

FSCO arranged for a series of consumer articles on auto insurance to be distributed to Ontario daily and community newspapers. Topics ranged from smart shopping for auto insurance to understanding your policy, making a claim and preventing insurance fraud. These informative inserts were picked up widely across the province, reaching an estimated total audience of nearly five million readers.



Brochures Raise Consumer Awareness

FSCO published a series of new or redesigned consumer brochures in early 2005. Titles included *Somewhere to Turn: The Financial Services Commission of Ontario* – an overview of FSCO's roles and services – and seven auto insurance themes:

- *Understanding Automobile Insurance*
- *What to Do After an Auto Accident*
- *After an Auto Accident: Understanding the Claims Process*
- *Protecting Yourself When Renting an Automobile*
- *Tips for Identifying Auto Insurance Scams*
- *Shop Around and Save on Auto Insurance*
- *FSCO's Dispute Resolution Services: A Real Alternative*

All publications were posted electronically on FSCO's website and four of the auto insurance materials were produced in print versions. In addition, online versions of *Shop Around and Save on Auto Insurance* and *Tips for Identifying Auto Insurance Scams* are available in Chinese, Italian, Portuguese and Punjabi.

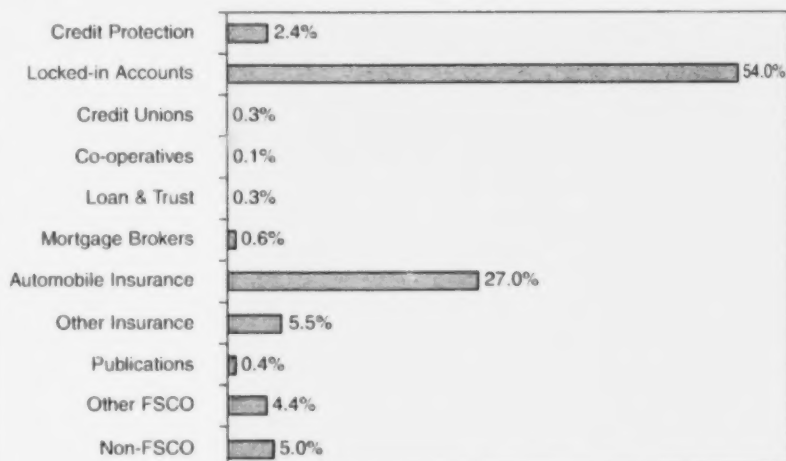
The launch of the new brochures took place in tandem with a strong FSCO presence at the Canadian International Auto Show in Toronto in February 2005. The Auto Show is FSCO's primary opportunity for direct contact with consumers. At the 2005 event FSCO hosted a new exhibit booth on "Auto Insurance: Get the Facts!", with staff on hand to answer questions, distribute print materials and demonstrate FSCO's online products – including the new Educational Auto Rate Tutorial.

Consumer Contact Centre

FSCO's consumer services staff are the first point of contact with FSCO, whether by telephone, email, fax or walk-in.

During 2004-2005, FSCO received more than 43,000 inquiries about its processes and procedures and the legislation it administers. The majority of inquiries concerned access to locked-in accounts based on financial hardship, or requests for application forms for unlocking.

Inquiries to FSCO by Subject



Getting the Most from Organizational Resources

FSCO is committed to providing value for the dollars it has been allocated, and endeavours to make the most of its human, financial and technological resources. FSCO is accountable to its stakeholders for the efficiency and quality of the regulatory services it delivers.

Business Planning Strengthened

In 2004-2005, FSCO continued to enhance its planning processes. FSCO undertook a thorough review of its mission, mandate, priorities, environmental factors, risks and opportunities and determined operational objectives and resource requirements. This exercise will lead to a business plan covering a three-year horizon and indicating the financial, human, technological and physical resources needed to meet priorities over this period.

Activity-Based Costing

In 2004-2005, FSCO commenced a project to design and implement an activity-based costing (ABC) model. The ABC project will analyze key activities and cost measures within each area of FSCO. When implemented, the ABC model will provide management with a tool to analyze costs by activity and sector.

IT Systems under Redevelopment

In 2003-2004, FSCO commenced a project to redevelop its information technology systems by moving to a new technology platform including a new database management system. Benefits are expected to include lower costs due to shorter development timeframes, improved system and network performance, enhanced security and better access to skilled developers. During the year, work proceeded on plans to deliver the first phase of the project, which includes acquisition and implementation of hardware and software and development of a central database to provide common, timely and accurate data.

Business Continuity Planning

FSCO is working to develop, document and implement a business continuity program for all areas to ensure:

- emergency preparedness;
- the ongoing provision of services in the face of a crisis or disruption; and
- the quick resumption of business as usual following such an event.



During the year, all areas of FSCO began the business impact analysis process for their services, which includes defining recovery time requirements and identifying critical resources and infrastructure. FSCO improved its capability to operate in a crisis by installing a new backup telephone system and an upgrade to the power backup for the computer systems.

Accommodation

On behalf of FSCO, the Ontario Realty Corporation leased additional space at 5160 Yonge Street, Toronto, to accommodate new staff.



Report of the Financial Services Tribunal

The Financial Services Tribunal (FST) is an independent adjudicative body that hears appeals of decisions and reviews proposed decisions of the Superintendent of Financial Services. Proceedings are conducted at the request of affected parties. The FST has exclusive jurisdiction to exercise the powers conferred on it by legislation and to determine all questions of fact or law that arise in a proceeding before it.

The FST is composed of the Chair and two Vice-Chairs (who are also the Chair and Vice-Chairs of FSCO) and from six to 12 additional members, all appointed by the Lieutenant Governor in Council. Biographical sketches of current FST members may be found on FST's website at www.fstontario.ca.

The FST is committed to providing an expert, impartial hearing process that is accessible, prompt and fair. Its proceedings are guided by its own Rules of Practice and Procedure, and Practice Directions, as well as by the *Statutory Powers Procedure Act*.

During the year, the FST revised its Rules of Practice and Procedure and continued work on developing conflict of interest guidelines. A Legal Advisory Committee acts as a sounding board on issues relating to the FST's adjudication functions.

The FST has adopted streamlined procedures for responding to requests for hearings on decisions by the Superintendent regarding access to locked-in funds in cases of financial hardship. These requests for hearings are treated as a priority so they are dealt with quickly and decisions are issued promptly.

The FST's hearing schedule and decisions, along with its Rules of Practice and Procedure, and Practice Directions, are posted online on the FST website at www.fstontario.ca for the convenience of hearing participants.



Financial Services Tribunal Activities 2004-2005

Activity	Pension Matters (Excluding Financial Hardship)	Pension Matters (Financial Hardship)	Mortgage Brokers Matters	Insurance Matters	Loan & Trust Matters	Total
Number of cases pending at beginning of fiscal year	29	-	1	3	-	33
Number of new cases received	7	1	-	3	1	12
Number of oral hearing days held	8	-	-	4	-	12
Number of written hearings	2	1	-	-	-	3
Number of other activity days, including: pre-hearing conferences, telephone conferences, settlement conferences and motions	15	-	-	9	-	24
Total hearing (oral and written) and activity days before FST	25	1	-	13	-	39
Files closed	12	1	1	2	-	16
Number of cases pending at end of fiscal year	24	-	-	4	1	29

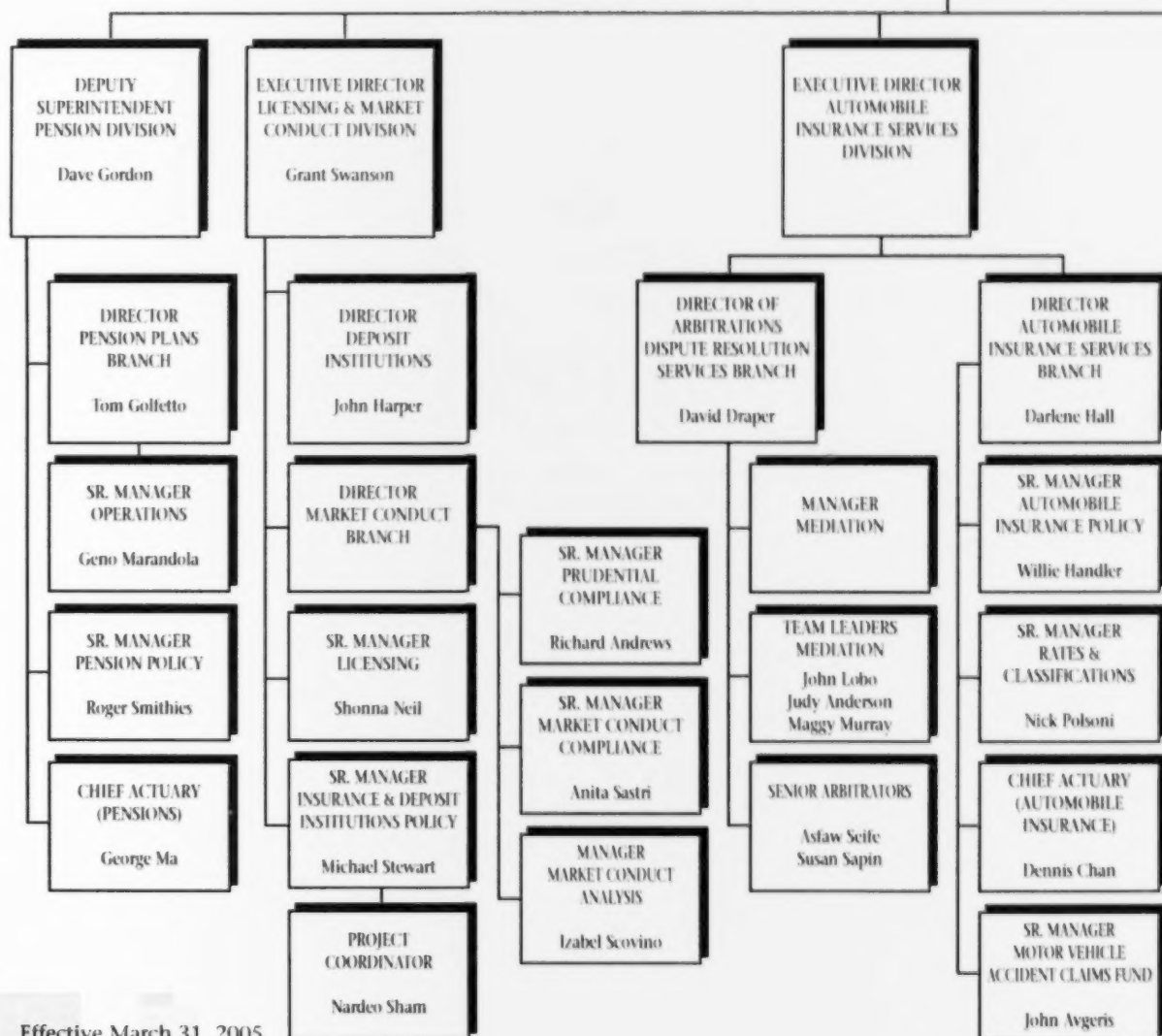
Notes:

1. Table does not include FST quarterly meetings, days for deliberation or decision writing.
2. Numbers may reflect activity in respect of files opened prior to 2004-2005 fiscal year.
3. Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.



**CEO/SUPERINTENDENT
FINANCIAL SERVICES
COMMISSION**

Bryan P. Davies

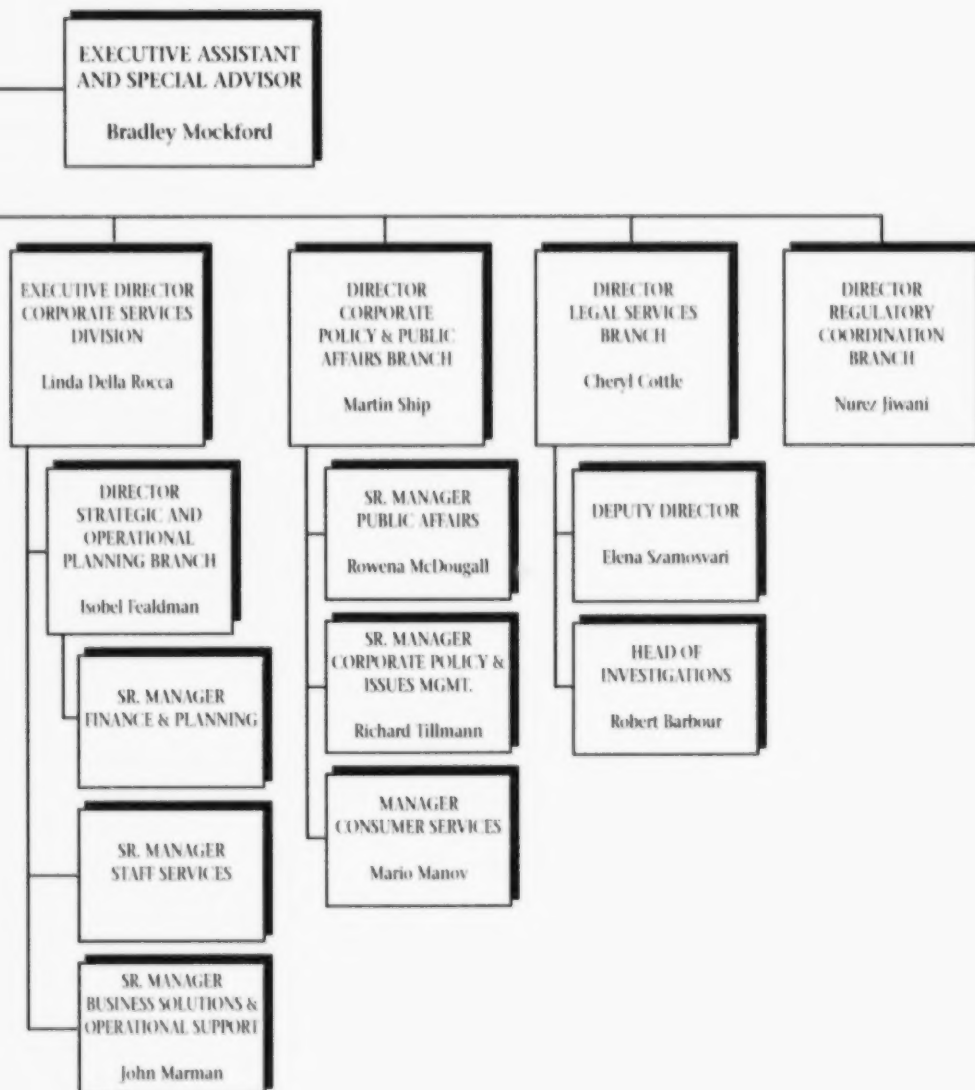


Effective March 31, 2005



Financial Services Commission of Ontario

Organization Chart





Ontario



Office of the auditor General of Ontario
Bureau du vérificateur général de l'Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005



Office of the auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Financial Services Commission of Ontario
and to the Minister of Finance

I have audited the balance sheet of the Financial Services Commission of Ontario as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

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www.auditor.on.ca

Toronto, Ontario
October 7, 2005

Gary R. Peall, CA
Deputy Auditor General



	2005 (\$000)	2004 (\$000)
Assets		
Current		
Cash	11	7
Accounts receivable	33,617	36,802
Prepaid expenses	113	96
	33,741	36,905
Capital assets, net (Note 3)	3,211	3,294
	36,952	40,199
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	3,806	3,139
Deferred revenue (Note 4)	4,753	3,501
Net Assets		
Invested in capital assets	3,211	3,294
Investment by the Province	25,182	30,265
	28,393	33,559
	36,952	40,199

Commitment and Contingencies (Note 8)

See accompanying notes to the financial statement.

Approved by:

CEO and Superintendent
Financial Services Commission of Ontario



FINANCIAL SERVICES COMMISSION OF ONTARIO

STATEMENT OF OPERATIONS

For the Year Ended March 31, 2005

	2005 (5000)	2004 (5000)
Revenue (Note 5)		
Assessments	24,169	23,395
Annual fees for pension plans	11,535	11,118
Fees and licences	6,510	5,355
Registrations	1,456	926
Other	214	112
	<u>43,884</u>	<u>40,906</u>
Expenses		
Salaries and wages	25,419	24,582
Employee benefits (Note 6a)	5,359	2,996
Transportation and communication	795	779
Services	11,976	11,293
Supplies and equipment	754	698
Amortization	1,619	434
Bad debt expense	73	19
Transfer payment	—	20
	<u>45,995</u>	<u>40,821</u>
Less: Recoveries (Note 7)	<u>2,610</u>	<u>2,283</u>
	<u>43,385</u>	<u>38,538</u>
Excess of revenue over expenses	<u>499</u>	<u>2,368</u>

See accompanying notes to the financial statement.



FINANCIAL SERVICES COMMISSION OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS For the Year Ended March 31, 2005

	2005 (\$000)			2004 (\$000)
	Invested in Capital Assets	Investment by the Province	Total	Total
Balance, beginning of year	3,294	30,265	33,559	23,442
Acquisition of capital assets	1,536	(1,536)	—	—
Excess (deficiency) of revenue over expenses	(1,619)	2,118	499	2,368
Contribution from the Province (Note 6b)	—	(5,665)	(5,665)	7,749
Balance, end of year	<u>3,211</u>	<u>25,182</u>	<u>28,393</u>	<u>33,559</u>

See accompanying notes to the financial statement.



FINANCIAL SERVICES COMMISSION OF ONTARIO

STATEMENT OF CASH FLOWS For the Year Ended March 31, 2005

	2005 (\$000)	2004 (\$000)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	499	2,368
Amortization	1,619	434
	<u>2,118</u>	<u>2,802</u>
Changes in non-cash working capital		
Accounts receivable	3,185	(9,422)
Prepaid expenses	(17)	22
Accounts payable	667	1,010
Deferred revenue	1,252	(759)
	<u>5,087</u>	<u>(9,149)</u>
Cash flows from financing activity		
Contribution from the Province	<u>(5,665)</u>	<u>7,749</u>
Cash flows from investing activity		
Purchase of capital assets	<u>(1,536)</u>	<u>(1,402)</u>
Net change in cash position	4	0
Cash position, beginning of year	<u>7</u>	<u>7</u>
Cash position, end of year	<u><u>11</u></u>	<u><u>7</u></u>

See accompanying notes to financial statements.



FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

1. OPERATIONS OF THE COMMISSION

The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. The Commission's mandate is to enhance consumer confidence and public trust in Ontario's regulatory activities governing insurance, pensions, credit unions, trust companies, caisses populaires, co-operatives and mortgage brokers, and also to make recommendations to the Minister of Finance on matters affecting the regulated sectors. The Commission administers the following legislation: *Insurance Act, Pension Benefits Act, Credit Unions and Caisses Populaires Act, Loan and Trust Corporations Act, Mortgage Brokers Act and Co-operative Corporations Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer hardware and related software	2 years
Leasehold improvements	over term of the lease

(b) Revenue Recognition

Assessment revenues from insurance, credit unions, caisses populaires and the loan and trust sectors are recognized when the recoverable costs to administer the various Acts governing these sectors are incurred. The amounts are based on estimated recoverable costs because the actual recoverable costs from the various sectors cannot be determined until the following year.

The Commission recognizes the annual assessment fee due from each pension plan registered in the province based on an estimate because the actual fee cannot be determined until the pension plan files its annual information return six to nine months after the plan's fiscal year end.

Adjustments to revenue, if any, between the amounts recognized based on estimates and actual revenues, are charged or credited in the year when the actual amounts are determined.

FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual amounts could differ from these estimates.

3. CAPITAL ASSETS

	2005 (\$000)		2004 (\$000)	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	1,517	871	646	773
Computer software	2,389	1,175	1,214	2,046
Office furniture and equipment	107	77	30	51
Leasehold improvements	3,129	3,129	-	-
Computer software under development	1,321	-	1,321	424
	8,463	5,252	3,211	3,294

4. DEFERRED REVENUE RELATED TO LICENCES AND REGISTRATION

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs. The changes in deferred revenue balances are as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
	(\$000)			
Insurance agents	2,446	3,471	2,893	3,024
Adjusters	21	90	92	19
Mortgage Brokers	459	1,741	1,301	899
Corporations	575	969	733	811
	3,501	6,271	5,019	4,753



FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

5. REVENUE

For the fiscal year, revenue from the following Acts and regulations made under the Acts administered by the Commission are:

	2005 (\$000)	2004 (\$000)
<i>Insurance Act</i>		
Insurer assessment	23,015	22,072
Fees, licenses and other	4,236	4,105
<i>Pension Benefits Act</i>		
Annual information return filing fees and registration fees	11,673	11,198
Pension unlocking fees and other	2,239	995
<i>Credit Unions and Caisses Populaires Act</i>		
Credit Union assessment	906	1,229
Fees and other	222	359
<i>Loan and Trust Corporations Act</i>		
Loan and Trust assessment	248	94
Fees, licenses and registrations	29	11
<i>Mortgage Brokers Act</i>		
Registrations and other	1,302	832
<i>Co-operative Corporations Act</i>		
Fees and other	14	11
	43,884	40,906

FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

6. RELATED PARTY TRANSACTIONS

- (a) The Commission's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by the Commission's employees is recognized in the Province's consolidated financial statements. These benefits are accounted for by the Commission as follows:

i. **Pension Benefits**

The Commission provides pension benefits for all its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province of Ontario. For the year ended March 31, 2005, the Commission incurred \$1,734,417 in costs in respect of these pension plans. These costs are included as employee benefits in the Statement of Operations. For fiscal 2004, the costs of these pension plans were paid by the Province's Management Board Secretariat (MBS) and were not included in the Commission's financial statements.

ii. **Non-pension Benefits**

For the fiscal year ended March 31, 2005, the Commission incurred \$579,559 with respect to legislated severance costs earned by employees and these costs are included in the Statement of Operations. In fiscal 2004, these costs were paid by the Province's Management Board Secretariat and were not included in the Commission's financial statements.

(b) **Contributions from the Province**

Revenue is deposited into the Consolidated Revenue Fund (CRF) of the Province of Ontario on a cash basis. Expenses are paid out of monies appropriated therefor by the Legislature of the Province of Ontario on a cash basis. The excess of the cash drawn from the Commission's appropriation to pay expenses and the cash from revenue deposited into the CRF is recorded as Contribution from the Province in the Statement of Changes in Net Assets. The Province's investment is reduced to the extent deposits exceeded expenses.

(c) **Other administrative expenses**

The Ministry of Finance and Management Board of Cabinet absorb the costs of certain administrative expenses.



FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

7. RECOVERIES

The Commission provides administrative and other support services to a number of organizations and recovers the costs of providing these services from the organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. The Commission, the Motor Vehicle Accident Claims Fund and the Pension Benefits Guarantee Fund are related parties. Details of these recoveries are as follows:

	2005 (\$000)	2004 (\$000)
Motor Vehicle Accident Claims Fund	1,607	1,368
Pension Benefits Guarantee Fund	375	246
Canadian Association of Pension Supervisory Authorities	173	177
Canadian Council of Insurance Regulators	194	184
Joint Forum of Financial Market Regulators	237	275
Canada Customs and Revenue Agency	24	33
	<u>2,610</u>	<u>2,283</u>

8. COMMITMENT AND CONTINGENCIES

(a) The Commission is committed to minimum lease payments for office space over the next four years as follows:

	(\$000)
2005/06	3,884
2006/07	3,884
2007/08	3,884
2008/09	<u>2,265</u>
	<u>13,917</u>



FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

8. COMMITMENT AND CONTINGENCIES (cont'd)

- (b) The Commission is involved in various legal actions arising out of the ordinary course of business. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

9. SECURITIES ON DEPOSIT

The *Insurance Act* authorizes the Commission to require insurance companies to deposit securities in any amount it considers necessary and on such conditions as it considers proper.

As at March 31, 2005, the face value of the securities held by the Commission under the *Insurance Act* was \$6.95 million. Income earned on the securities is paid directly to the insurance companies depositing the securities. These securities and the related income are not recorded in the financial statements.

10. FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, and deferred revenue approximates fair value due to the short-term nature of these instruments. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.



FINANCIAL SERVICES COMMISSION OF ONTARIO

**FINANCIAL STATEMENTS OF THE
PENSION BENEFITS GUARANTEE FUND**

FOR THE YEAR ENDED MARCH 31, 2005



Office of the Auditor General of Ontario



FINANCIAL SERVICES COMMISSION OF ONTARIO

The Pension Benefit Guarantee Fund

Management's Responsibility for Financial Information

Management is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

The Pension Benefit Guarantee Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit Committee. The Auditor's report follows.

K. David Gordon
Deputy Superintendent of Pensions

Harold M. Sookdeo
Chief Accountant



**Office of the
Auditor General
of Ontario**



**Bureau du
vérificateur général
de l'Ontario**

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Financial Services Commission of Ontario
and to the Minister of Finance

I have audited the balance sheet of the Pension Benefits Guarantee Fund of the Financial Services Commission of Ontario as at March 31, 2005 and the statements of operations and fund deficit and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission's guarantee fund as at March 31, 2005 and its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 18, 2005

Gary R. Peall, CA
Deputy Auditor General



FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND BALANCE SHEET

As at March 31, 2005

	2005 (S000)	2004 (S000)
ASSETS		
Current		
Cash	357	620
Accounts receivable	68,419	61,113
	<u>68,776</u>	<u>61,733</u>
Investments (Note 3)	223,161	554,866
	<u>291,937</u>	<u>616,599</u>
LIABILITIES AND FUND BALANCE		
Current		
Accounts Payable and accrued liabilities	5,751	7,378
Current portion of loan payable	11,000	11,000
	<u>16,751</u>	<u>18,378</u>
Claims payable	204,624	386,401
Loan payable (Note 5)	308,000	319,000
	<u>529,375</u>	<u>723,779</u>
Fund deficit	(237,438)	(107,180)
	<u>291,937</u>	<u>616,599</u>

Contingencies (Note 6)

See accompanying notes to financial statements

Approved by:

CEO and Superintendent
Financial Services Commission of Ontario



FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND

STATEMENT OF OPERATIONS AND FUND DEFICIT

For the year ended March 31, 2005

	2005 (\$000)	2004 (\$000)
Revenue		
Premium revenue	67,431	53,374
Investment income (Note 3)	7,894	9,873
Recoveries	19	235
	<u>75,344</u>	<u>63,482</u>
Expenses		
Claims	201,301	33,281
Pension management fees (Note 4)	2,358	326
Investment management fees	287	272
Administration fee (Note 4)	379	301
	<u>204,325</u>	<u>34,180</u>
Excess (deficiency) of revenue over expenses	(128,981)	29,302
Unrealized gains (losses) in the market value of investments	(1,277)	987
Excess (deficiency) of revenue over expenses	(130,258)	30,289
Fund deficit, beginning of year	<u>(107,180)</u>	<u>(137,469)</u>
Fund deficit, end of year	<u><u>(237,438)</u></u>	<u><u>(107,180)</u></u>
Contingencies (Note 6)		

See accompanying notes to financial statements.



FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND

STATEMENT OF CASH FLOWS

For the year ended March 31, 2005

	2005 (5000)	2004 (5000)
Net Inflow (Outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	(130,258)	30,289
Less items not affecting cash		
Unrealized (gain) loss on investments	1,277	(987)
	(128,981)	29,302
Changes in non cash working capital		
Accounts receivable	(7,306)	(5,007)
Accounts payable	(1,627)	3,246
Claims payable	(181,777)	(103,086)
	(319,691)	(75,545)
Cash flows from investing activities		
Purchases of investments	(1,500,855)	(952,411)
Proceeds from sale of investments	1,831,283	698,523
	330,428	(253,888)
Cash flows from financing activities		
Loan payable	-	330,000
Loan repayment	(11,000)	-
	(11,000)	330,000
Change in cash position	(263)	567
Cash position, beginning of year	620	53
Cash position, end of year	357	620



FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2005

1. PURPOSE OF FUND

The purpose of the Pension Benefits Guarantee Fund (the Fund) is to guarantee payment of certain pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the *Pension Benefits Act*, and regulations thereto. The regulations also prescribe the amount of the premiums required to be paid into the Fund by plan sponsors. The Superintendent of the Financial Services Commission of Ontario pursuant to the *Financial Services Commission of Ontario Act, 1997* is responsible for the administration of the Fund.

The *Pension Benefits Act* provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund plus any loans received from the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by the management of the Financial Services Commission of Ontario in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Investments

Investments include short-term deposits and fixed income securities issued or guaranteed by the federal and provincial governments and Canadian corporations. Short-term deposits have maturities of less than twelve months. They are recorded at cost which approximates market. Investments in government and corporate bonds are stated at their quoted market value. In aggregate, they are considered short term in nature and can be liquidated at any time to cover claims against the Fund. Premiums or discounts are not amortized.

Unrealized changes in market value reflect the change in unrealized gains or losses that have occurred by holding investments over the year.



FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Claims payable

Claims payable are liabilities to those defined benefit pension plans prescribed by legislation that are wound up or in the process of being ordered wound up under conditions specified in the *Pension Benefits Act*, and the amounts can be reasonably estimated. They are determined annually through an actuarial valuation using the best estimates of management of the Financial Services Commission of Ontario and represent the present value of future payments to settle the claims for benefits and expenses by eligible pension plans which are at various stages of the wind up process. Adjustments to the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to the Fund in the year when the actual amounts are determined.

(c) Premium revenue

The annual premium revenue due from the defined pension plans prescribed by legislation is recognized based on an estimate because the actual revenue cannot be determined until the pension plan files its annual assessment certificate nine months after the plan's fiscal year end.

Adjustments to premium revenue, if any, between the estimated amounts recognized and the actual revenues due are charged or credited to income in the year when the actual amounts are determined.

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amount of revenues and expenses for the period. Actual amounts could differ from these estimates.

(e) Financial Instruments

Unless otherwise noted, it is the opinion of the management of the Financial Services Commission of Ontario that the Fund is not exposed to significant interest rate, currency or credit risks arising from its financial instruments, and the carrying amount of the Fund's financial instruments approximates fair value unless otherwise noted.



FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2005

3. INVESTMENTS

The Financial Services Commission of Ontario has adopted a Statement of Investment Policies and Guidelines. This statement outlines the purpose of the Fund and provides guidelines for the management of the Fund.

Investments consist of:

	2005 (\$000)	2004 (\$000)
Short term deposits	77,433	402,985
Government and corporate bonds		
at market value (cost \$145,240; 2004 – \$150,111)	145,728	151,881
	<u>223,161</u>	<u>554,866</u>

Short term deposits have an average yield of 2.50% (2004 – 2.17%) and government and corporate bonds have an average yield of 3.84% (2004 – 3.82%).

Investment income includes interest earned from interest bearing securities and realized gains/losses from the sale of securities. The realized net loss on the sale of securities amounted to \$662,488 (2004 – \$578,662 gain). Unrealized changes in the market value of investment are reflected separately on the statement of operations and fund deficit.

4. ADMINISTRATION AND PENSION MANAGEMENT FEES

The *Pension Benefits Act* allows the Financial Services Commission of Ontario to charge the Fund for expenses it incurs in administering the Fund. During fiscal 2005, administration fees of \$379,228 (2004 – \$301,016) were paid to the Financial Services Commission of Ontario. The Fund and the Commission are related parties.

In fiscal 2005, \$2,358,477 (2004 – \$325,751) was paid from the Fund to a team of experts retained to represent the Fund during the insolvency proceedings of two companies. In the case of one company whose failure could result in a very significant claim on the Fund by the pension plans of this company, the team of experts is seeking to minimize any potential claim on the Fund. In the case of the other company, the team is seeking to maximize potential recoveries from the bankrupt estate to offset the potential claims on the Fund.

Administrative services related to the processing of premium revenue are provided by the Ministry of Finance without charge.



FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2005

5. LOAN PAYABLE

On March 31, 2004, the Fund obtained a \$330 M loan from the Province. The loan is noninterest bearing and repayable in thirty equal annual installments. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years are as follows:

	(5000)
2005	11,000
2006	11,000
2007	11,000
2008	11,000
2009	11,000

6. CONTINGENCIES

There are currently one company operating under a stay under the *Companies' Creditors Arrangement Act* (CCAA) whose pension plans could represent very significant claims on the Fund. However, the outcome and the amount of any potential claims on the Fund are not determinable at this time.



MOTOR VEHICLE ACCIDENT CLAIMS FUND

FINANCIAL STATEMENTS

AS AT MARCH 31, 2005



Deloitte

Deloitte & Touche LLP
BCE Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
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www.deloitte.ca

Auditors' Report

To the Audit Committee of the Financial Services Commission of Ontario and the
Provincial Auditor of Ontario

Pursuant to our appointment as auditor of the Motor Vehicle Accident Claims Fund (the "Fund"), which audit is under the direction of the Provincial Auditor of Ontario, we have audited the statement of financial position of the Fund as at March 31, 2005 and the statements of operations and fund deficit and of cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario
June 22, 2005



MOTOR VEHICLE ACCIDENT CLAIMS FUND

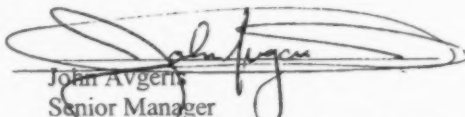
Management's Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. Management in accordance with Canadian generally accepted accounting principles has prepared the financial statements, and, where appropriate, included amounts based on management's best estimates and judgements.

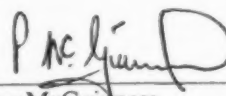
Management agrees with the work of the specialists in evaluating the Unpaid Claims amount and has adequately considered the qualifications of the specialists in determining amounts and disclosures used in the notes to the financial statements. Management did not give any, nor cause any, instructions to be given to the specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

The Motor Vehicle Accident Claims Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario (the "FSCO") and the FSCO Audit Committee.

Deloitte and Touche, Chartered Accountants who are engaged under the direction of the Provincial Auditor, have examined the financial statements. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditor's report outlines the scope of the auditor's examination and report.



John Avgeris
Senior Manager
Motor Vehicle Accident Claims Fund



Peter McGuinness
Manager of Accounting & Administration
Motor Vehicle Accident Claims Fund



MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF FINANCIAL POSITION

	As at March 31, 2005 \$	As at March 31, 2004 \$
ASSETS		
Funds on Deposit	8,167,521	2,662,452
Accounts Receivable - License Fees	2,270,712	927,420
Accounts Receivable - Life Annuity (Note 7)	2,209,799	-
Accounts Receivable - Debtors	46,948,478	47,804,474
Less: Allowance for Doubtful Accounts	31,466,424	32,047,717
	15,482,054	15,756,757
Computer Equipment	106,389	66,096
Less: Accumulated Amortization	70,054	34,591
	36,335	31,505
Unpaid Claims Recoverable (Note 4)	8,871,189	9,126,391
Total Assets	37,037,610	28,504,525
LIABILITIES & FUND DEFICIT		
Accounts Payable and Accrued Expenses	1,400,992	1,328,839
Deferred Revenue	31,018,599	20,597,057
Unpaid Claims and Adjustment Expenses (Note 4)	128,489,636	125,979,309
	160,909,227	147,905,205
Fund Deficit	(123,871,617)	(119,400,680)
	(123,871,617)	(119,400,680)
Total Liabilities & Fund Deficit	37,037,610	28,504,525

Approved by:

Bryan P. Davies, Chief Executive Officer
and Superintendent of Financial Services
Financial Services Commission of Ontario



MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF OPERATIONS AND FUND DEFICIT

	Year ended March 31, 2005 \$	Year ended March 31, 2004 \$
REVENUE		
Fee on Issue or Renewal of Driver's Licences	19,611,557	8,433,423
Change in Deferred Revenue	(10,421,542)	(300,230)
Fees Earned	9,190,015	8,133,193
Transfer Payment (Note 2)	862,200	-
Prior Year Recoveries	2,662,046	284,620
Other Revenue	6,565	-
Total Revenue	<u>12,720,826</u>	<u>8,417,813</u>
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	2,765,529	(1,861,812)
Accident Benefits Claims Payments	6,862,178	7,613,386
Administrative Expenses		
Salaries and Wages	1,108,641	1,094,066
Employees' Benefits	153,688	131,761
Transportation and Communication	25,985	41,451
Services:		
Claims (Solicitors Fees etc.)	1,858,236	1,677,067
Accident Benefit Claims Expense	1,064,781	712,907
Other Services	837,325	745,255
Bad Debts Expense	2,465,532	3,720,485
Supplies and Equipment	14,405	35,839
Amortization of Computer Equipment	35,463	22,032
Total Expenses	<u>17,191,763</u>	<u>13,932,437</u>
Excess of Expenses over Revenue	(4,470,937)	(5,514,624)
Fund Deficit, Beginning of Year	(119,400,680)	(113,886,056)
Fund Deficit, End of Year	<u>(123,871,617)</u>	<u>(119,400,680)</u>



MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF CASH FLOWS

Year ended
March 31, 2005
\$

Year ended
March 31, 2004
\$

OPERATING ACTIVITIES

Cash Inflows

Fee on Issue or Renewal of Driver's Licences	18,268,265	8,223,297
Repayment by Debtors	1,893,151	1,850,295
Prior Year Recoveries	452,247	279,285
Transfer Payment	862,200	-
Other Revenue	6,565	-

Cash Outflows

Statutory Payments	(10,689,848)	(10,485,236)
Payments to Employees	(1,245,127)	(1,216,032)
Administrative Expenses	(4,002,091)	(3,274,711)

Net Cash Outflow from Operating Activities	<u>5,545,362</u>	<u>(4,623,102)</u>
--	------------------	--------------------

INVESTING ACTIVITIES

Cash Outflows

Acquisition of Equipment	<u>(40,293)</u>	<u>(28,419)</u>
--------------------------	-----------------	-----------------

Net Cash Outflow from Investing Activities	<u>(40,293)</u>	<u>(28,419)</u>
--	-----------------	-----------------

Net Decrease in Funds on Deposit with Minister of Finance

5,505,069	(4,651,521)
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Funds on Deposit with Minister of Finance, Beginning of Year

<u>2,662,452</u>	<u>7,313,973</u>
------------------	------------------

Funds on Deposit with Minister of Finance, End of Year

<u>8,167,521</u>	<u>2,662,452</u>
------------------	------------------



MOTOR VEHICLE ACCIDENT CLAIMS FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2005

1. Statutory Authority

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the Motor Vehicle Accident Claims Act (the "Act"), R.S.O. 1990, Chapter M.41 as amended.

2. Fund Operations

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the Compulsory Automobile Insurance Act, all motorists are required to carry compulsory third party liability insurance including uninsured motorist coverage. Since that time, the Fund only responds to claims where the eligible claimants have no access to automobile or liability insurance coverage. In 1990, legislation was enacted to expand the coverage to include a new provision to pay statutory accident benefits by the Fund, in accordance with the Statutory Accident Benefits Schedule (the "SABS"). In 2002, legislation was enacted to expand the Fund's role to administer and pay statutory accident benefits claims of Ontario insolvent insurers.

The Fund now pays claims under four different automobile insurance compensation systems:

- 1) Tort – prior to June 22, 1990
- 2) OMPP – between June 22, 1990 and December 31, 1993
- 3) Bill 164 – between January 1, 1994 and October 31, 1996
- 4) Bill 59 – from November 1, 1996 and forward

The coverage provided by the Fund is analogous to the minimum required coverage under the standard automobile policy (OAP1) approved by the provincial regulator. Unlike insurance companies, the Fund does not cover claims where the accidents occur outside of Ontario, except in the case of accident benefits where the Ontario insurer is insolvent. In the cases of insurance company insolvencies where the Fund pays claims for accident benefits, it has powers to assess the industry to recover for claims and adjustment expenses and also has claimant rights against the estate of the insolvent insurer.

The current maximum third party liability claims limits payable by the Fund are \$200,000, inclusive of pre-judgment interest, plus legal costs as awarded. Under the Highway Traffic Act in Ontario, a driver is responsible for an accident while the owner of the vehicle has vicarious liability. Both the owner and driver will have their driving privileges suspended and, where judgments exist, writs of seizure and sale of real property will be filed with the Sheriff in the jurisdictions where the defendants reside.

If the driver of the vehicle cannot be determined, only claims for bodily injury can be paid out of the Fund. In these civil proceedings the Superintendent of the FSCO becomes the named defendant. In certain circumstances, the law provides that where the identity of a driver is determined at a later date, upon bringing of a motion before the court, the driver can be substituted in the judgment.

Upon the conclusion of litigation under sections 7, 12 or 15 of the Act, or through settlements under section 4 of the Act, the plaintiff(s) or claimant(s) present a request for payment to the Minister of Finance out of the Fund. At that time an account receivable is created for the full amount of those payments, which may be recovered from the uninsured driver and/or owner.



2. Fund Operations (continued)

The Fund operates administratively under the direction of the Financial Services Commission of Ontario ("FSCO") and reimburses FSCO for the costs of the services it provides to the Fund.

The Lieutenant Governor in Council, having regard to the condition of the Fund and the amount paid out of the Fund during any period, may direct payment out of the Province's Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize the Fund.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Fair values are not determinable for Accounts Receivable – Debtors (net) and Unpaid Claims and Adjustment Expenses (net). For all other financial instruments fair value is equal to book value.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

a) Computer Equipment

Computer equipment is carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	3 years
--------------------	---------

b) Drivers' Licence Fees and Deferred Revenue

The amount the Fund earns changed as of September 2004 from a fee of \$5.00 to \$15.00 on the issuance or renewal of each driver's five-year licence. The income is earned on a pro-rata basis over the five-year term of the licence and the unearned portion is reflected as deferred revenue.

c) Accounts Receivable – Fees

Under the *Act* the Fund receives from the Ministry of Transportation and Serco DES a monthly internal transfer and payment representing the drivers' licence fee prescribed by *Ontario Regulation 800*. Accordingly, unremitted licence fees are reported as accounts receivable.

d) Unpaid Claims

Unpaid claims represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claim expenses, and is gross of estimated recoveries and subrogation. Claim liabilities are established according to accepted actuarial practice in Canada as applied to public personal injury compensation plans. They do not reflect the time value of money nor include a provision for adverse deviations, because the Fund reports no investment income.

The provision for unpaid claims and claim expenses consists of estimates that are necessarily subject to uncertainty and the variability could be material in the near term. The estimates are selected from a range of possible outcomes and are adjusted up or down, as additional information becomes known during the course of loss settlement. The estimates are principally based on historical experience but variability can be caused by changes in judicial interpretations of contracts or significant changes in severity and frequency of claims from historical trends. All changes in estimates are recorded in the current period.



The Fund has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments.

Settlements occur when there is an irrevocable direction from the Fund to the annuity underwriter to make all payments directly to the claimant. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to the Fund. The Fund remains liable to make payments only in the event that the life insurance company fails and only to the extent that CompCorp, the industry's insolvency compensation fund, will not cover payments due. The net risk to the Fund is any credit risk related to the life insurance companies. This credit risk is deemed nil at March 31, 2005. There exists the possibility of contingent gains based on the fact that the Fund has purchased insurance on some of the measured lives. Such amounts are described in Note 7 – Contingent Gains.

e) Accounts Receivable – Debtors

The Fund maintains an accounts receivable portfolio, accumulated over the years as the result of judgments and claims assigned to the Minister of Finance. The Fund will pay damages to injured, not at fault, victims who have no recourse to liability insurance, on behalf of defendant uninsured motorists. In accordance with the *Act*, these amounts are recoverable from the uninsured motorists.

Total repayments received from debtors are reflected in the cash flow statement.

The allowance for doubtful accounts is determined through a process that considers: the age of defendant/debtor, the defendant/debtor's current monthly installment required under the regulations, the amount paid out of the Fund and the activity on the account since the date of the judgment.

The write-off process depends on established criteria that parallel the criteria established by the Ministry of Finance. These criteria are used to select a block of accounts at the beginning of April that is reviewed by collections staff. The Ministry of Finance, Internal Audit Section audits the work of the collections staff and provides a certificate of assurance to verify that the established criteria for the write-off have been met. The write-off transaction is authorized by an order-in-council under the authority set out in the *Financial Administration Act*.

In the current year, write-offs of \$ 3.9 million (2004 – \$ 2.4 million) were processed. Additionally, in the current year \$0.8M of the Accounts Receivable were reinstated through the bad debt expense account.

f) Prior Year Recoveries

Prior year recoveries are generated from three main sources – insurance recoveries, reversionary interest (Note 7) and recoveries of court costs. The Fund is required under the *SABS* to satisfy the payment of accident benefits claims within specified periods. The timeframe does not allow for a complete investigation into available insurance coverage and in some instances information is withheld by police because of criminal investigations. Accordingly, when new information is available, the Fund may be required to pursue private insurers for recoveries.

From time to time the Fund may also be involved in the defence of uninsured motorists or the Superintendent of FSCO, where the legal proceedings are deemed frivolous and the Fund is awarded costs by the courts.



4. Unpaid Claims and Adjustment Expenses

a) The Fund's unpaid claims and adjustment expenses consist of the following:

	March 31, 2005		March 31, 2004	
	Gross (000's)	Recoverable (000's)	Gross (000's)	Recoverable (000's)
ACCIDENT BENEFITS				
Statutory accident benefits	\$ 48,958	\$ -	\$ 44,142	\$ -
THIRD PARTY LIABILITY (TPL)				
Property damage	797	62	939	105
Bodily injury	78,735	8,809	80,898	9,021
Total TPL	79,532	8,871	81,837	9,126
Totals	\$ 128,490	\$ 8,871	\$ 125,979	\$ 9,126

b) The change in gross provision for claims and adjustment expenses is as follows:

	March 31, 2005 (000's)	March 31, 2004 (000's)
Unpaid claims and adjustment expenses, beginning of year	\$ 125,979	\$ 129,050
Increase (decrease) in provision for losses that occurred in prior years	(8,350)	(16,766)
Amounts paid during the year on claims of prior years:		
Statutory Payments	(9,780)	(10,022)
Claims Expenses	(5,277)	(4,293)
Amounts paid during the year on claims of the current year:		
Statutory Payments	(475)	(463)
Claims Expenses	(256)	(198)
Provision for losses on claims that occurred in the current year	26,649	28,671
Unpaid claims and adjustment expenses, end of year	\$ 128,490	\$ 125,979

5. Due to the Financial Services Commission of Ontario

Amounts due to the FSCO and included in Accounts Payable and Accrued Expenses are for services provided in connection with the administration of the Fund and include charges for: rent, computer services, legal services and other administrative services.

	March 31, 2005 (000's)	March 31, 2004 (000's)
Due to FSCO	\$ -	\$ 300



6. Role of the Actuary and Auditor

The Financial Services Commission of Ontario retains the Fund's actuary. The actuary's responsibility is to carry out an annual valuation of the Fund's liabilities, which include provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, recoveries, and expenses taking into consideration the circumstances of the Fund. The actuary in his verification of the underlying data used in the valuation also makes use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

The external auditors act under the direction of the Ontario Provincial Auditor pursuant to agreed terms of engagement. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the Audit Committee of the FSCO. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the provision for claims and claim expenses. The auditors' report outlines the scope of their audit and their opinion.

8. Contingent Gains

Some payments out of the Fund are in the form of structured settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 30 years and during this period the reversionary interest will be payable to Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance, should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, the Fund nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2005 for information purposes.

As at March 31, 2005, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately \$11.4 million (2004 – \$9.9 million) with applicable reversionary interest of approximately \$7.5 million (2004 – \$6.8 million). The amounts from the prior year have been restated to correct an omission, due to a date related problem.

On May 12, 2005 the Fund received notification from the Public Guardian and Trustee that a claimant for whom an annuity had been purchased, passed away on January 24, 2005. The Fund had purchased a guarantee relating to this claim, which resulted in the reversionary interest of \$2,209,799 to be refunded to the Fund.





THE FINANCIAL SERVICES COMMISSION OF ONTARIO

SUPERINTENDENT'S REPORT ON INSURANCE 2004





SUPERINTENDENT'S REPORT ON INSURANCE 2004

The following information was obtained from the annual filings and, in the case of federally registered insurers, from the Office of the Superintendent of Financial Institutions. While every effort has been made to ensure the accuracy of this report, decisions should not be made solely on the information contained in it. Other sources should also be consulted. Any material changes to this information will be reported to the Minister of Finance and published in The Ontario Gazette.

The information is organized by type of insurer, and insurers are listed alphabetically within each group.

Summary Financial Information	75
Property and Casualty Companies	78
Life Insurance Companies	94
Reinsurance Companies	102
Reciprocal or Interinsurance Exchanges	106
Fraternal Societies	108
Financial Summary Notes	110



The Honourable Dwight Duncan
Minister of Finance
7 Queen's Park Crescent
Toronto ON M7A 2H6

Dear Minister:

I am pleased to present the 126th annual report under Section 36 of the *Insurance Act* for the year ended December 31, 2004. Prior to the creation of the Financial Services Commission of Ontario, this report was issued by the Superintendent of Insurance.

In addition to the information contained in this report, a listing of all licensed insurers is published each July in *The Ontario Gazette*. This list contains the names of the insurers, their addresses, telephone numbers, chief agents, and the classes for which they are licensed. During the year, information concerning newly licensed insurers and changes to existing licences is also published in the Financial Services Commission of Ontario Bulletins. Any broker or member of the public can verify whether a particular insurer is licensed by calling our offices at (416) 250-7250. This information is also available on the Commission's Internet site, www.fsco.gov.on.ca.

News releases containing other information of public interest are made throughout the year. These announcements can effectively reach a large number of Ontario residents. Information is also supplied to industry trade associations for inclusion in their publications to reach more specialized audiences. Financial Services Commission of Ontario Bulletins are issued as required to provide information to insurers and other individuals interested in the insurance industry.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "B. Davies".

Bryan P. Davies
Chief Executive Officer and
Superintendent of Financial Services



SUMMARY FINANCIAL INFORMATION

SUMMARY OF COMPANIES LICENCED BY TYPE OF BUSINESS ACTIVITY as at December 31, 2004, and December 31, 2003

Analysis of 2004 total

Business Type	Total 2003	Additions	Withdrawals	Total 2004	Ontario	Extra Provincial	Federal
Property & Casualty Companies	217	6	6	217	65	11	141
Life Insurance Companies	98	2	5	95	4	11	80
Reinsurance Companies	45	4	5	44	2	1	41
Reciprocal Exchanges	10	0	0	10	9	0	1
Fraternal Societies	25	0	1	24	3	0	21
Totals	395	12	17	390	83	23	284

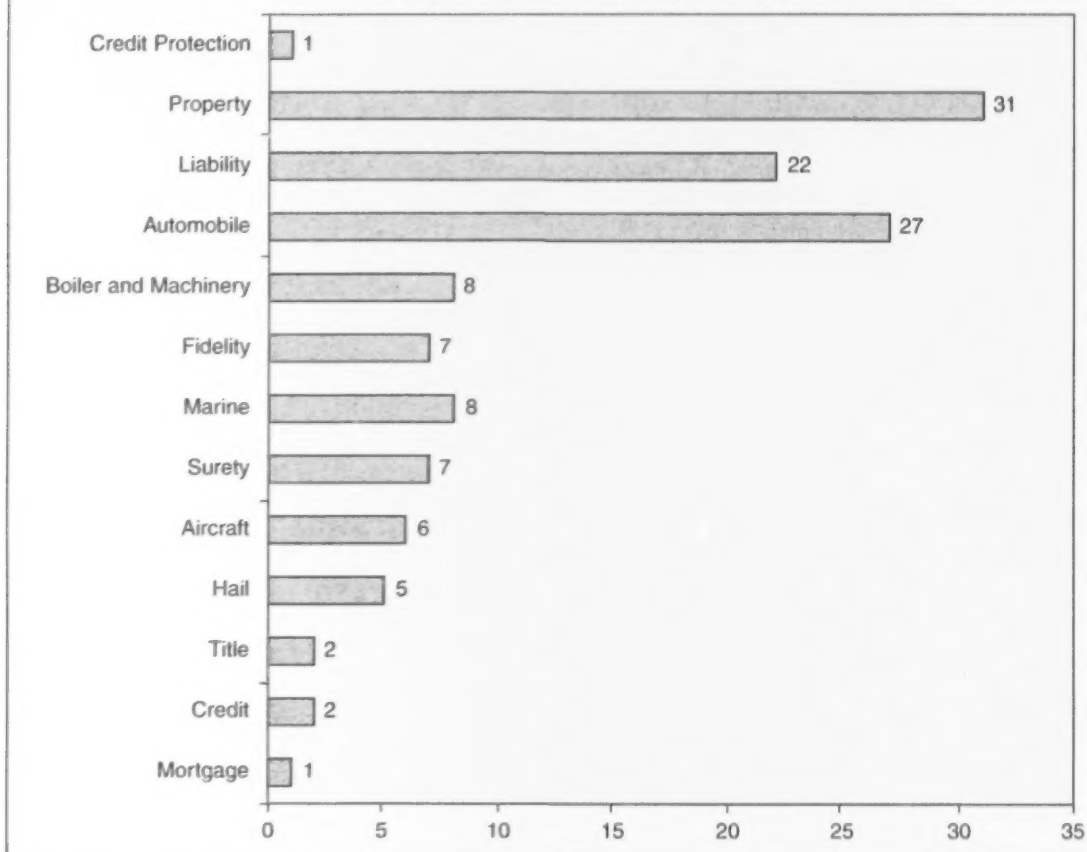
Notes:

1. Companies writing both property & casualty and life business are listed under Life in the above summary. Their financial performance is shown separately by business type in the following report.
2. Branch operations are included in the Federal totals.
3. The Superintendent's Report 2004 records figures as of the end of the calendar year (December 31, 2004), based on the company's annual filings. The Financial Services Commission of Ontario Annual Report 2004-2005, records figures as of the end of the fiscal year (March 31, 2005).

To gauge the level of competition, FSCO calculates how many companies represent 80 percent of the market for key products. Please note that effective 2002, these figures are based on individual companies rather than groups of affiliated companies.

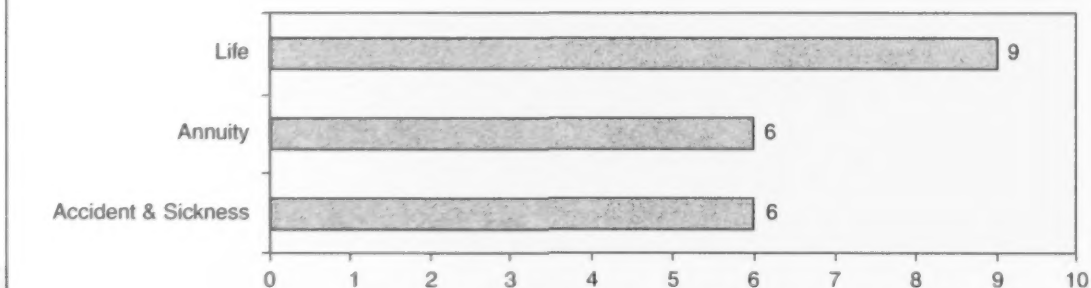
2004 Property and Casualty Insurers

Number of Companies Representing 80% of the Ontario Market Share



2004 Life Insurers

Number of Companies Representing 80% of the Ontario Market Share

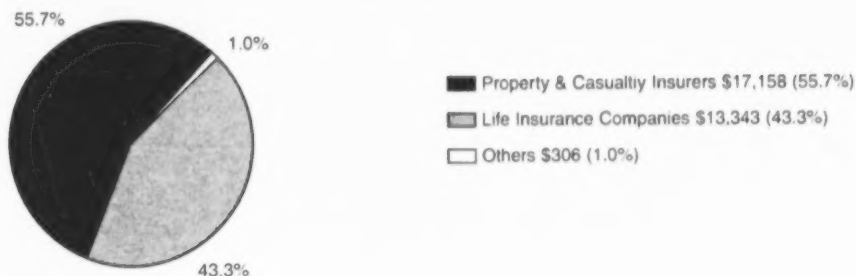




Insurance is a \$30.8 billion business in Ontario. In 2004, of the total premium dollar, 43.3 per cent went to the life insurance industry and 55.7 percent went to the property and casualty (including automobile) insurers.

2004 Direct Premium Volume in Ontario

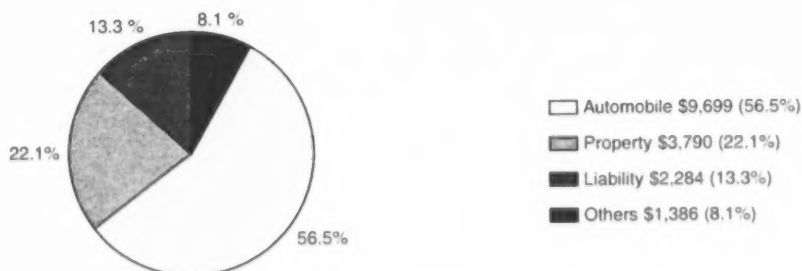
Total \$30,807 (millions)



P&C insurers received \$17.2 billion in premiums in 2004. The split among automobile, property and liability insurance is virtually unchanged from last year.

2004 Property & Casualty Companies — Direct Written Premiums in Ontario — By Line

Total \$17,159 (millions)



The broad pattern among life insurance companies likewise remained constant. Of the \$13.3 billion spent on premiums to the life insurers, 22.1 percent went to buy annuities, 40.6 percent to purchase individual and group life coverage and 37.3 percent to obtain accident and sickness insurance.

2004 Life Companies — Direct Written Premiums in Ontario

Total \$13,340 (millions)





PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note	ONTARIO		
	Algoma Mutual Insurance Company	7,276	6,250
	Amherst Island Mutual Fire Insurance Company	393	364
	Ayr Farmers' Mutual Insurance Company	14,086	10,244
	Bay of Quinte Mutual Insurance Co.	13,016	6,816
	Bertie and Clinton Mutual Insurance Company	7,603	3,774
	Brant Mutual Insurance Company	3,789	3,926
	CAA Insurance Company (Ontario)	123,788	92,917
	Caradoc Delaware Mutual Fire Insurance Company	1,092	202
	Cayuga Mutual Fire Insurance Company	4,320	1,750
	Coachman Insurance Company	33,225	40,181
	Commerce and Industry Insurance Company of Canada	78,401	43,944
	Coronation Insurance Company, Limited	0	0
	Culross Mutual Insurance Company	1,937	2,393
	Dufferin Mutual Insurance Company	8,120	5,372
	Dumfries Mutual Insurance Company	10,673	4,089
	Eric Mutual Fire Insurance Company	4,463	2,496
	Farmers' Mutual Fire Insurance Company (Lindsay)	61,378	49,231
	GCAN Insurance Company	89,063	40,297
	Germania Farmers' Mutual Fire Insurance Company	8,037	4,160
	Glengarry Farmers' Mutual Fire Insurance Company	7,013	3,111
	Grenville Mutual Insurance Company	12,731	10,862
	Grey & Bruce Mutual Insurance Company	1,582	832
	Halwell Mutual Insurance Company	11,847	6,376
	Hamilton Township Farmers' Mutual Fire Insurance Company, The	13,734	10,390
	Hay Mutual Insurance Company	6,764	4,781
	Heritage General Insurance Company	10,489	3,987
	Howard Mutual Fire Insurance Company	6,633	4,492
	Howick Mutual Insurance Company	10,241	5,420
	Kent & Essex Mutual Insurance Company	13,217	7,420
	Kingsway General Insurance Company	279,988	247,490



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
11,559	8,333	3,224	60	281
1,629	591	1,038	53	34
33,111	18,621	14,490	75	1,098
24,313	11,527	12,786	47	1,729
33,919	14,036	19,883	50	1,550
12,570	6,034	6,536	62	494
305,386	251,934	53,452	73	5,859
6,874	849	6,025	26	330
15,250	4,719	10,531	49	494
111,228	104,849	6,379	86	604
703,822	621,398	82,424	69	12,590
5,466	2,317	3,149	n/a	15
4,846	3,782	1,064	74	89
15,438	10,471	4,967	57	464
28,496	11,487	17,009	48	1,753
18,196	4,392	13,804	62	346
145,822	107,536	38,286	68	5,215
626,025	529,286	96,739	53	19,037
13,776	7,311	6,465	56	647
13,537	6,004	7,533	52	680
47,308	19,224	28,084	79	677
3,951	1,226	2,725	55	48
24,729	12,362	12,367	54	1,435
31,429	22,635	8,794	68	546
29,157	8,531	20,626	68	1,269
21,394	7,201	14,193	55	1,571
31,033	9,931	21,102	70	892
15,407	9,164	6,243	71	83
38,997	14,451	24,546	65	1,007
871,644	785,804	85,840	89	16,382



PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note

ONTARIO cont.

1	L&A Mutual Insurance Company	5,110	2,246
	Lambton Mutual Insurance Company	12,872	9,176
	Lanark Mutual Insurance Company	20,023	11,976
	Lawyers' Professional Indemnity Company	76,858	66,348
	Loyalist Insurance Company, The	143	(407)
2	Markham General Insurance Company	0	0
	MAX Canada Insurance Company	2,964	1,353
	McKillop Mutual Insurance Company	6,682	4,243
	Middlesex Mutual Insurance Co.	7,266	4,317
	Norfolk Mutual Insurance Company	5,184	1,990
	North Blenheim Mutual Insurance Company	6,975	3,945
	North Kent Mutual Fire Insurance Company	5,202	2,916
	Optimum Frontier Insurance Company	42,279	23,913
	Oxford Mutual Insurance Company	9,293	4,422
	Peel and Maryborough Mutual Insurance Company	11,887	6,567
	Peel Mutual Insurance Company	26,154	15,136
	Pilot Insurance Company	753,966	523,419
	Premier Insurance Company	196	(20)
	Prescott Mutual Insurance Company	781	501
	Pro-Demnity Insurance Company	12,920	6,044
	Scottish & York Insurance Co. Limited	178,433	126,685
	Sherway Insurance Company Limited	1	0
	South Easthope Mutual Insurance Company	10,806	6,644
	Town & Country Mutual Insurance Company	7,399	6,542
	Townsend Farmers' Mutual Fire Insurance Company	4,183	935
	Tradition Mutual Insurance Company	9,841	5,969
	Trillium Mutual Insurance Company	27,833	19,349
	TTC Insurance Company Limited	0	0
	Usborne and Hibbert Mutual Fire Insurance Company	4,447	4,426
	Wabisa Mutual Insurance Company	5,613	2,731



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
9,119	5,033	4,086	50	639
41,505	18,633	22,872	75	775
49,453	21,867	27,586	67	1,566
429,818	327,532	102,286	94	6,088
11,507	6,962	4,545	17	429
0	0	0	n/a	0
10,554	4,126	6,428	55	262
14,917	8,405	6,512	58	519
22,166	10,510	11,656	62	742
11,646	5,822	5,824	50	874
15,122	6,100	9,022	67	264
22,837	6,872	15,965	59	1,026
131,558	117,676	13,882	57	625
19,340	12,819	6,521	57	1,683
22,094	10,953	11,141	62	731
52,040	31,474	20,566	60	2,388
1,591,501	1,302,878	288,623	66	74,887
3,378	344	3,034	(12)	20
1,294	885	409	38	79
73,767	51,343	22,424	75	242
625,698	535,321	90,377	75	15,381
6,023	13	6,010	0	573
25,128	10,740	14,388	65	918
21,933	9,866	12,067	91	(586)
11,655	5,410	6,245	51	504
21,552	10,976	10,576	75	21
57,291	39,555	17,736	63	1,660
39,843	39,743	100	n/a	0
29,243	6,029	23,214	92	812
13,423	8,232	5,191	51	676



PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note

ONTARIO cont.

West Elgin Mutual Insurance Company	9,283	3,458
West Wawanosh Mutual Insurance Company, The	13,659	12,006
Westminster Mutual Insurance Company, The	5,274	2,266
Yarmouth Mutual Fire Insurance Company, The	5,043	1,512
York Fire & Casualty Insurance Company	157,101	91,639
	2,294,862	1,600,416

EXTRA PROVINCIAL

Alberta Motor Association Insurance Company's	0	0
Belair Insurance Company Inc.	46,520	47,144
Canadian Union Insurance Company, The	2,508	(105)
Canassurance, Compagnie d'Assurances Générales Inc.	249	48
GMS Insurance Inc.	5	1
Industrial Alliance Pacific General Insurance Corporation	65	0
Innovative Insurance Corporation	95	158
Mutual of Ottawa - Church Insurance, The	18	0
Orleans General Insurance Company	24	0
SGI CANADA Insurance Services Ltd.	77	52
Trans Global Insurance Comany	3,888	175
	53,449	47,473

FEDERAL

ACE INA Insurance	155,688	123,643
AXA Insurance (Canada)	230,693	191,113
AXA Pacific Insurance Company	8,182	10,892
Allianz Insurance Company of Canada	330,974	190,389
Allstate Insurance Company of Canada	334,416	182,772
3 Alta Surety Company	0	0
Ascentus Insurance Ltd.	24,960	24,017
Aviva Insurance Company of Canada	490,669	328,443
Boiler Inspection and Insurance Company of Canada, The	20,015	12,816
CUMIS General Insurance Company	31,189	24,362



TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Claims incurred to earned premium %	Net income/ (loss) \$
25,371	12,245	13,126	57	1,428
34,375	24,535	9,840	68	1,496
7,342	3,994	3,348	62	306
11,895	3,602	8,293	48	633
294,882	256,375	38,507	79	1,747
7,005,582	5,532,878	1,472,704		196,627
350,479	262,698	87,781	70	20,143
757,879	594,980	162,899	57	49,574
305,552	237,783	67,769	61	12,926
8,476	2,155	6,321	39	175
5,337	792	4,545	64	(457)
46,351	35,032	11,319	33	1,888
4,629	1,515	3,114	54	50
4,685	118	4,567	22	371
9,680	4,670	5,010	28	367
46,662	22,324	24,338	53	2,801
10,784	1,515	9,269	4	5,667
1,550,514	1,163,582	386,932		93,505
826,173	686,903	139,270	61	26,403
774,050	676,547	97,503	71	7,124
631,616	503,773	127,843	67	6,418
1,838,760	1,506,959	331,801	59	69,538
1,659,533	1,128,130	531,403	54	151,834
0	0	0	n/a	0
72,215	59,974	12,241	74	2,093
3,443,807	2,735,579	708,228	66	87,304
183,252	118,770	64,482	22	20,539
114,979	97,589	17,390	65	2,698



PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note	FEDERAL cont.		
4	Canadian Direct Insurance Incorporated	0	0
	Canadian Northern Shield Insurance Company	270	369
	Certas Direct Insurance Company	127,581	102,938
	Chubb Insurance Company of Canada	322,296	306,817
	Citadel General Assurance Company, The	139,281	87,721
	Co-Operators General Insurance Company	668,245	486,918
	Commonwealth Insurance Company	37,236	12,066
	Constitution Insurance	0	31
	Coseco Insurance Company	111,432	77,212
	Dominion of Canada General Insurance Company, The	770,546	538,858
	Echelon General Insurance Company	102,452	65,869
	Economical Mutual Insurance Company	776,662	430,753
	Elite Insurance Company	38,643	16,971
	Everest Insurance Company of Canada	0	67
	Federated Insurance Company of Canada	59,348	34,188
	Federation Insurance Company of Canada	112,814	78,129
	First North American Insurance Company	1,150	812
	GE Capital Mortgage Insurance Company (Canada)	254,191	15,185
	Gold Circle Insurance Company	0	0
	Gore Mutual Insurance Company	135,367	76,777
	Grain Insurance and Guarantee Company	9,951	2,252
5	Granite Insurance Company	0	0
	Guarantee Company of North America, The	239,774	147,269
	ING Insurance Company of Canada	1,143,188	639,637
	ING Novex Insurance Company of Canada	68,366	47,660
	Jevco Insurance Company	10,064	5,869
	Legacy General Insurance Company	14,114	981
	Liberty Insurance Company of Canada	189,958	218,147
	Lloyd's Underwriters	349,460	363,681
	Lombard General Insurance Company of Canada	434,823	250,584



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
119,388	95,758	23,630	66	2,995
215,555	173,836	41,719	60	3,049
360,794	275,665	85,129	75	14,387
1,724,933	1,318,260	406,673	61	69,088
668,505	492,662	175,843	59	38,797
3,071,680	2,267,385	804,295	65	139,492
1,204,367	900,155	304,212	59	44,968
3,756	2,079	1,677	n/a	351
336,050	287,890	48,160	67	10,582
2,244,990	1,753,842	491,148	68	83,691
211,487	176,035	35,452	67	7,176
3,118,106	2,268,677	849,429	61	161,849
221,897	169,865	52,032	54	13,454
6,252	2,064	4,188	189	(148)
342,637	286,487	56,150	65	7,987
519,976	451,207	68,769	61	11,748
8,586	2,926	5,660	37	498
2,259,165	1,416,168	842,997	12	152,074
4,183	29	4,154	n/a	38
349,230	253,707	95,523	58	19,238
66,467	49,573	16,894	45	2,373
0	0	0	n/a	0
876,909	474,033	402,876	55	41,175
5,551,282	4,568,386	982,896	57	385,282
334,178	303,799	30,379	57	7,321
419,645	334,714	84,931	67	8,720
27,885	(1,119)	29,004	15	6,684
988,209	852,450	135,759	109	(31,357)
2,721,188	1,937,333	783,855	50	394,377
1,748,191	1,369,502	378,689	56	76,922



PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note

FEDERAL cont.

Lombard Insurance Company	112,688	94,113
London and Midland General Insurance Company	29,968	4,284
Markel Insurance Company of Canada	183,796	117,232
Missisquoi Insurance Company, The	88	528
Mortgage Insurance Company of Canada, The	0	204
Nordic Insurance Company of Canada, The	92,923	66,270
North Waterloo Farmers Mutual Insurance Company, The	36,600	19,244
Old Republic Insurance Company of Canada	37,269	24,586
Omega General Insurance Company	12	0
Pafco Insurance Company	22,794	7,756
Pembroke Insurance Company	66,712	27,037
Personal Insurance Company, The	301,424	218,862
Perth Insurance Company	125,716	63,778
Portage La Prairie Mutual Insurance Company, The	17,723	10,344
Primum Insurance Company	170,811	185,450
Quebec Assurance Company	0	2
RBC General Insurance Company	244,335	171,574
RBC Travel Insurance Company	91,716	35,633
Royal Insurance Company of Canada	444,844	295,946
S & Y Insurance Company	19,581	7,183
Scotia General Insurance Company	0	0
SecuriCan General Insurance Company	3,310	2,404
Security National Insurance Company	481,804	291,328
Sovereign General Insurance Company, The	68,501	32,018
St. Paul Guarantee Insurance Company	85,472	14,268
TD Direct Insurance Inc.	0	0
TD General Insurance Company	99,059	68,315
Temple Insurance Company	92,386	67,111
Traders General Insurance Company	301,787	267,586
Trafalgar Insurance Company of Canada	97,674	79,437



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
327,618	259,513	68,105	74	(4,051)
299,480	160,020	139,460	22	34,876
635,867	530,273	105,594	66	18,478
376,030	307,638	68,392	61	10,875
56,862	24,468	32,394	(21)	4,462
1,815,555	1,388,851	426,704	57	142,262
65,119	39,272	25,847	54	2,886
165,232	118,564	46,668	51	6,558
14,770	42	14,728	0	(272)
69,325	32,380	36,945	93	(3,055)
536,311	398,097	138,214	40	42,398
803,634	638,689	164,945	75	25,840
315,053	276,203	38,850	61	6,511
200,189	136,187	64,002	59	11,021
642,592	559,406	83,186	84	(532)
110,135	75,261	34,874	66	4,835
488,410	368,608	119,802	78	17,595
166,810	108,840	57,970	25	8,941
3,514,891	2,835,695	679,196	66	75,554
46,005	19,454	26,551	88	(1,743)
6,985	0	6,985	n/a	(13)
8,210	1,276	6,934	69	(566)
1,735,406	1,235,449	499,957	68	93,370
400,427	320,910	79,517	59	12,091
564,583	387,620	176,963	56	9,704
12,525	166	12,359	n/a	308
283,942	247,782	36,160	70	12,853
647,901	534,708	113,193	61	13,067
1,012,419	816,974	195,445	78	4,926
293,122	246,982	46,140	72	5,608



PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note

FEDERAL cont.

Travelers Casualty & Surety Company of Canada	21,010	15,699
Unifund Assurance Company	224,747	166,228
Waterloo Insurance Company	41,971	27,690
Wawanesa Mutual Insurance Company, The	432,919	304,200
Western Assurance Company	99,841	84,911
Western Surety Company	1,949	161
XL Insurance Company Limited	33,649	12,369
Zenith Insurance Company	40,029	23,601
	11,869,106	7,905,580

BRANCH

AXA Corporate Solutions Assurance	3,349	5,605
Affiliated FM Insurance Company	27,858	11,218
Allstate Insurance Company	0	0
American Bankers Insurance Company of Florida	99,633	14,025
American Home Assurance Company	330,345	203,356
American Re-Insurance Company	0	0
American Road Insurance Company, The	3,441	2,426
Avemco Insurance Company	0	(279)
Aviation & General Insurance Company Limited	0	(19)
British Aviation Insurance Company Limited, The	15	(183)
6 CGU International Insurance PLC	2,125	(3,911)
Centennial Insurance Company	373	1,545
Chicago Title Insurance Company	2,741	1,440
Continental Casualty Company	94,663	65,411
Daimler-Chrysler Insurance Company	6,887	3,158
EULER American Credit Indemnity Company	16,219	4,972
Eagle Star Insurance Company Limited	1,154	5,113
Ecclesiastical Insurance Office Public Limited Company	19,133	9,565
Employers Insurance Company of Wausau	0	(1,344)
Employers Reinsurance Corporation	98,003	36,516



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
140,442	91,278	49,164	57	6,780
654,031	549,567	104,464	75	5,245
209,381	170,218	39,163	61	5,931
3,365,760	2,022,661	1,343,099	66	190,720
667,033	556,501	110,532	66	7,514
26,333	15,951	10,382	37	501
234,866	169,004	65,862	54	5,442
121,350	83,391	37,959	57	4,934
60,304,480	45,725,491	14,578,989		2,828,616
126,149	95,038	31,111	142	(5,623)
140,648	92,990	47,658	29	18,791
17,269	2,231	15,038	116,200	(325)
234,063	140,396	93,667	14	7,077
2,670,925	2,016,189	654,736	64	113,631
311,339	145,267	166,072	70	6,342
48,096	1,166	46,930	72	2,742
5,892	1,103	4,789	(417)	756
1,423	307	1,116	n/a	4
17,904	8,604	9,300	(2,463)	861
81,741	33,681	48,060	(472)	2,586
14,090	6,587	7,503	65	(44)
9,283	4,181	5,102	32	121
727,504	512,698	214,806	60	28,596
52,522	8,051	44,471	46	5,572
89,078	41,733	47,345	65	2,319
41,567	20,611	20,956	45	2,982
122,276	78,324	43,952	56	2,264
51,435	9,664	41,771	(16,650)	3,094
1,204,181	823,080	381,101	65	60,889



PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note

BRANCH cont.

Factory Mutual Insurance Company	5,774	5,964
Federal Insurance Company	2,397	(141)
First American Title Insurance Company	32,521	17,392
General Reinsurance Corporation	0	0
Great American Insurance Company	22,434	10,061
Great American Insurance Company of New York	13	(165)
Hanover Insurance Company, The	0	2
Hartford Fire Insurance Company	13,718	6,800
Home Insurance Company, The	0	0
ICAROM Public Limited Company	0	(1)
Lawyers Title Insurance Corporation	69	(802)
Liberty Mutual Fire Insurance Company	(1)	(937)
Liberty Mutual Insurance Company	132,482	96,820
Lumbermens Mutual Casualty Company	(369)	(12)
Mitsui Sumitomo Insurance Company Limited	12,230	1,150
Motors Insurance Corporation	178,983	153,396
NCMIC Insurance Company	0	0
National Liability & Fire Insurance Company	3,104	207
Nipponkoa Insurance Company Limited	832	27
North American Specialty Insurance Company	556	116
Pearl Assurance Public Limited Company	0	0
Progressive Casualty Insurance Company	(30)	(3,160)
Protective Insurance Company	262	727
Providence Washington Insurance Company	0	1,052
7 Reliance Insurance Company	0	0
Security Insurance Company of Hartford	305	4,020
Sentry Insurance, A Mutual Company	972	462
8 Skandia Insurance Company Ltd.	0	0
Sompo Japan Insurance Inc.	2,163	1,227
Specialty National Insurance Company	0	(25)



TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Claims incurred to earned premium %	Net income/ (loss) \$
610,640	346,261	264,379	42	77,275
38,175	5,602	32,573	(7)	2,735
69,970	39,052	30,918	28	8,769
571,689	409,953	161,736	53	17,544
156,852	87,720	69,132	62	7,448
3,458	420	3,038	n/a	420
3,159	68	3,091	n/a	(12)
318,668	99,328	219,340	36	20,191
0	0	0	n/a	0
3,264	83	3,181	n/a	(16)
6,452	2,331	4,121	368	(769)
48,267	1,567	46,700	(10,386)	5,616
1,148,551	516,601	631,950	36	63,771
95,315	58,570	36,745	(2,416)	(2,963)
55,358	30,737	24,621	3	10,985
659,955	503,367	156,588	74	37,574
5,676	33	5,643	n/a	146
77,356	40,628	36,728	50	1,722
26,443	6,132	20,311	209	(1,228)
26,588	21,155	5,433	86	1
1,646	25	1,621	n/a	(12)
71,012	27,120	43,892	3,131	3,776
8,519	1,234	7,285	157	(89)
15,776	5,825	9,951	127	(56)
0	0	0	n/a	0
180,072	98,129	81,943	6	12,858
25,938	5,393	20,545	64	449
0	0	0	n/a	0
29,396	5,311	24,085	46	1,297
7,225	237	6,988	n/a	53



PROPERTY AND CASUALTY COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note

BRANCH cont.

St. Paul Fire and Marine Insurance Company	63,761	50,790
State Farm Fire and Casualty Company	307,705	165,866
State Farm Mutual Automobile Insurance Company	927,136	764,401
Stewart Title Guaranty Company	44,600	20,691
T.H.E. Insurance Company	264	64
TIG Insurance Company	14	(1,530)
Tokio Marine and Fire Insurance Company Limited, The	13,484	6,774
Travelers Indemnity Company, The	4	(183)
UAP - New Rotterdam Insurance Company NV	0	306
Utica Mutual Insurance Company	463	(58)
Virginia Surety Company Inc.	725	325
9 XL Reinsurance America Inc.	0	0
Zurich Insurance Company	448,997	318,451
	2,941,507	1,978,691
Totals	17,158,924	11,532,160



TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Claims incurred to earned premium %	Net income/ (loss) \$
910,595	497,381	413,214	50	70,466
750,851	445,477	305,374	60	103,668
2,874,866	2,085,813	789,053	81	143,236
48,264	28,016	20,248	43	446
1,803	579	1,224	41	(48)
83,704	37,542	46,162	(41,514)	9,344
61,720	34,639	27,081	35	6,264
108,445	32,027	76,418	237	4,127
8,192	2,267	5,925	n/a	492
12,628	5,666	6,962	57	801
51,368	4,108	47,260	71	1,746
0	0	0	n/a	0
2,061,143	1,607,860	453,283	67	72,004
17,206,384	11,136,158	6,070,226		932,666
86,066,960	63,558,109	22,508,851		4,051,414



LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2004 (in thousands)

ONTARIO BUSINESS

Direct premiums written \$	Benefits and payments to policyholders \$
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Note

ONTARIO

CT Financial Assurance Company	5,087	1,772
Revios Reinsurance Canada	0	0
Trent Health Insurance Company	0	393
Union du Canada Assurance-vie	1,145	920
	6,232	3,085

EXTRA PROVINCIAL

Acadia Life	0	0
Assomption Compagnie d'Assurance-vie	3,126	1,819
AXA Assurance Inc.	6,652	788
Canassurance Life Insurance Company Inc.	0	0
Desjardins Financial Security Life Assurance Company	170,953	137,757
First Canadian Insurance Corporation	14,923	2,488
Industrial-Alliance Insurance and Financial Services Inc.	204,364	143,629
National Bank Life Insurance Company	3,797	2,187
Promutuel Life Inc.	0	0
SSQ, Societe d'Assurance-vie Inc.	4,301	1,092
Trans Global Life Insurance Company	1,763	312
	411,879	290,072

FEDERAL

ACE INA Life Insurance	29,711	5,374
AIG Assurance Canada	48,860	34,700
AIG Life Insurance Company of Canada	269,488	46,465
Allstate Life Insurance Company of Canada	0	0
BMO Life Insurance Company	11,931	687
Blue Cross Life Insurance Company of Canada	11,022	4,362
CIBC Life Insurance Company Limited	13,454	2,753
CIGNA Life Insurance Company of Canada	7,293	2,482
CUMIS Life Insurance Company	74,785	35,269
Canada Life Assurance Company, The	1,531,671	1,354,828
Canada Life Insurance Company of Canada, The	0	0



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net profit/ (loss)
\$	\$	\$	\$
18,037	9,541	8,496	626
95,184	30,397	64,787	4,332
41,112	17,874	23,238	2,070
70,497	59,807	10,690	144
224,830	117,619	107,211	7,172
51,350	34,880	16,470	1,452
474,589	415,331	59,258	5,273
308,249	308,249	98,702	4,806
70,313	41,251	29,062	2,036
10,202,400	8,923,931	1,278,469	149,720
162,111	107,266	54,845	10,920
7,661,732	5,992,148	1,669,584	158,922
150,709	63,382	87,327	14,802
14,607	4,760	9,847	134
1,571,401	1,375,525	195,876	21,175
9,608	1,846	7,762	2,259
20,677,069	17,268,569	3,507,202	371,499
52,393	35,887	16,506	3,521
564,260	516,230	48,030	7,339
1,032,436	886,641	145,795	18,433
3,351	17	3,334	49
34,877	11,147	23,730	6,383
169,069	128,775	40,294	3,218
44,119	(10,314)	54,433	8,072
47,136	37,004	10,132	1,230
571,732	491,406	80,326	11,305
16,840,594	13,921,597	2,918,997	179,454
3,745,888	3,567,354	178,534	6,228



LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Note		Direct premiums written \$	Benefits and payments to policyholders \$
	FEDERAL cont.		
	Canadian Premier Life Insurance Company	62,175	4,266
	Co-Operators Life Insurance Company	240,743	170,508
	CompCorp Life Insurance Company	0	0
10	Confederation Life Insurance Company	0	0
	Crown Life Insurance Company	0	0
	Empire Life Insurance Company, The	278,909	231,278
	Equitable Life Insurance Company of Canada, The	203,769	160,140
	Federated Life Insurance Company of Canada	9,614	4,453
	Great-West Life Assurance Company, The	1,602,368	1,203,412
	Industrial-Alliance Pacific Life Insurance Company	89,429	34,505
	London Life Insurance Company	1,462,714	1,033,381
	MD Life Insurance Company	13,819	1,885
	Manufacturers Life Insurance Company, The	2,098,208	1,719,013
	Manulife Canada Ltd.	27,806	16,128
	National Life Assurance Company of Canada, The	182,965	149,493
	Penncorp Life Insurance Company	25,359	8,529
	Primerica Life Insurance Company of Canada	82,338	21,015
	RBC Life Insurance Company	357,885	124,684
	Reliable Life Insurance Company	27,547	13,202
	Scotia Life Insurance Company	6,899	1,005
	Standard Life Assurance Company of Canada, The	1,669	2,207
	Sun Life Assurance Company of Canada	2,582,120	2,717,060
	TD Life Insurance Company	16,569	3,468
	Transamerica Life Canada	266,999	139,335
	Unity Life of Canada	65,666	18,687
	Wawanesa Life Insurance Company, The	15,334	8,183
		11,719,119	9,272,757
	BRANCH		
	AMEX Assurance Company	808	1
11	AXA Equitable Life Insurance Company	47	29



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net profit/ (loss)
\$	\$	\$	\$
115,002	29,806	85,196	15,846
2,093,135	1,696,671	396,464	41,537
10,000	112	9,888	(40)
0	0	0	0
691,737	503,699	188,038	33,157
2,822,081	2,389,942	432,139	37,041
970,760	818,084	152,676	13,480
54,892	39,445	15,447	1,380
20,208,982	11,486,933	8,722,049	1,226,362
1,933,202	1,704,128	229,074	45,525
19,558,800	18,117,504	1,441,296	321,892
168,649	142,083	26,566	3,346
52,253,934	39,727,175	12,526,759	1,888,394
1,094,676	864,475	230,201	12,273
2,015,834	1,728,679	287,155	28,079
212,087	154,689	57,398	8,391
349,038	(13,096)	362,134	52,789
3,891,516	3,113,582	777,934	52,394
43,290	23,964	19,326	1,640
45,362	(13,985)	59,347	9,509
13,943,306	12,971,790	971,516	8,261
69,739,664	59,452,199	10,287,465	1,717,023
22,101	(2,758)	24,859	1,592
4,090,818	3,009,778	1,081,040	95,181
246,688	216,717	29,971	1,048
393,618	330,318	63,300	4,464
220,075,027	178,077,678	41,997,349	5,865,796
6,055	460	5,595	(351)
29,163	12,068	17,095	1,405



LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Note		Direct premiums written \$	Benefits and payments to policyholders \$
	BRANCH cont.		
	Aetna Life Insurance Company	1,878	2,346
	Allianz Life Insurance Company of North America	2,108	1,057
	American Bankers Life Assurance Company of Florida	89,383	18,654
	American Health and Life Insurance Company	11,539	1,913
	American Income Life Insurance Company	14,401	2,112
	Bankers Life and Casualty Company	0	0
12	Bankers National Life Insurance Company	398	123
	Combined Insurance Company of America	36,248	11,693
	Connecticut General Life Insurance Company	4,313	359
	Cuna Mutual Insurance Society	193	533
	Fidelity Investments Life Insurance Company	0	0
	First Allmerica Financial Life Insurance Company	38	283
	Forethought Life Insurance Company	2,280	5,868
	Fortis Benefits Insurance Company	52,917	10,426
	General American Life Insurance Company	0	0
	Gerber Life Insurance Company	863	48
	Hartford Life Insurance Company	0	5,902
	Household Life Insurance Company	11,427	3,198
	John Alden Life Insurance Company	0	11
	John Hancock Life Insurance Company	28	468
	Liberty Life Assurance Company of Boston	193	(608)
	Life Insurance Company of North America	1,163	351
	Life Investors Insurance Company of America	4,524	822
	Lincoln Heritage Life Insurance Company o/a Superior Life Ins. Co.	0	(117)
	Lincoln National Life Insurance Company, The	0	0
	Massachusetts Mutual Life Insurance Company	141	250
	Metropolitan Life Insurance Company	6,041	55,020
	Minnesota Life Insurance Company	317	106
	New York Life Insurance Company	21,653	25,776
	Pennsylvania Life Insurance Company	0	0



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net profit/ (loss)
\$	\$	\$	\$
50,274	17,994	32,280	1,050
134,579	23,616	110,963	6,208
211,872	130,642	81,230	14,131
115,782	46,679	69,103	8,879
126,649	50,150	76,499	9,711
3,332	39	3,293	120
5,339	1,657	3,682	155
525,628	309,951	215,677	66,023
68,561	53,931	14,630	59
23,427	17,436	5,991	149
6,124	319	5,805	(443)
2,325	1,351	974	(77)
124,500	105,882	18,618	3,187
387,415	353,985	33,430	1,689
1,136,323	715,300	421,023	61,981
14,048	1,870	12,178	(681)
47,583	33,390	14,193	(3,408)
107,303	26,677	80,626	11,199
1,958	1,218	740	(104)
17,432	6,846	10,586	755
14,689	5,168	9,521	1,287
39,238	18,787	20,451	2,832
198,345	110,176	88,169	5,113
3,202	0	3,202	984
284,817	88	284,729	22,563
36,436	5,218	31,218	2,888
1,633,994	465,033	1,168,961	64,371
2,466	119	2,347	29
251,111	92,546	158,565	14,073
1,113	8	1,105	60



LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2004 (in thousands)

ONTARIO BUSINESS

		Direct premiums written \$	Benefits and payments to policyholders \$
Note	BRANCH cont.		
	Phoenix Life Insurance Company	0	0
	Principal Life Insurance Company	134	357
	Provident Life and Accident Insurance Company	82,662	31,335
	Prudential Insurance Company of America, The	1,972	10,361
13	Reassure America Life Insurance Company	3	53
	Standard Life Assurance Company, The	781,368	875,993
	State Farm Life Insurance Company	73,727	41,182
	Stonebridge Life Insurance Company	37	14
	Travelers Insurance Company, The	0	260
14	Union Fidelity Life Insurance Company	0	0
	United American Insurance Company	456	421
		1,206,268	1,126,804
	Totals	13,343,498	10,692,718



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net profit/ (loss)
\$	\$	\$	\$
1,848	733	1,115	(62)
9,632	6,554	3,078	941
452,011	59,990	392,021	86,352
330,937	228,564	102,373	5,411
13,458	5,406	8,052	5
947,031	921,131	25,900	(10,060)
880,284	708,619	171,665	18,129
38,343	3,745	34,598	5,485
26,479	4,558	21,921	607
0	0	0	0
10,582	5,754	4,828	374
8,321,688	4,553,658	3,768,030	403,019
249,298,614	200,017,524	49,379,792	6,647,486



REINSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2004 (in thousands)

This table lists only those companies which are licensed solely for the business of reinsurance.

ONTARIO BUSINESS

Premiums assumed	Net losses incurred
\$	\$

Note

ONTARIO

Farm Mutual Reinsurance Plan Inc.	103,416	86,886
Global Reinsurance Company	380	(1,827)
	103,796	85,059

EXTRA PROVINCIAL

Optimum Reassurance Inc.	21,748	1,872
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FEDERAL

Anglo Canada General Insurance Company	84,294	63,816
Aspen Insurance UK Limited	27,719	11,692
Munich Reinsurance Company of Canada	319,949	131,946
RG&A Life Reinsurance Company of Canada	115,934	13,231
SCOR Canada Reinsurance Company	23,973	12,894
Suecia Reinsurance Company	21	64
Swiss Re Life & Health Canada	248,131	43,404
Swiss Reinsurance Company Canada	143,978	27,583
	964,001	306,630

BRANCH

AXA RE	71,991	38,694
Alea Europe Ltd.	169	2,902
American Agricultural Insurance Company	8,570	2,782
Caisse Central de Reassurance	23,064	22,139
Cavell Insurance Company Limited	2	(799)
Cologne Reinsurance Company	20	35
Converium Reinsurance (North America) Inc.	7,277	9,141
Employers Reassurance Corporation	39,518	28,080
Endurance Reinsurance Corporation of America	12,731	1,843
Everest Reinsurance Company	87,509	36,190
Folksamerica Reinsurance Company	13,129	4,468
GE Frankona Rückversicherungs-Aktiengesellschaft	1,531	628
15 GE Reinsurance Corporation	0	0
General & Cologne Life Re of America	0	0



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
428,542	278,261	150,281	78	19,404
149,917	105,085	44,832	88*	5,341
578,459	383,346	195,113		24,945
244,335	199,339	44,996	n/a	3,049
305,966	244,610	61,356	71	7,348
74,687	40,169	34,518	80	(80)
1,338,764	1,025,317	313,447	67	46,542
1,934,701	1,652,397	282,304	n/a	13,815
470,005	329,686	140,319	64	14,096
11,222	3,474	7,748	305	81
2,673,813	2,507,214	166,599	n/a	44,641
1,284,675	1,145,557	139,118	60	27,667
8,093,833	6,948,424	1,145,409		154,110
0	5,380	(5,380)	n/a	44,578
79,016	48,982	30,034	745	(3,017)
50,967	20,936	30,031	52	6,476
118,012	86,493	31,519	68	2,254
23,204	5,593	17,611	(39,950)	1,022
18,187	4,124	14,063	141	459
43,719	26,482	17,237	84	(993)
922,950	361,183	561,767	n/a	87,129
35,644	13,127	22,517	63	434
533,431	377,383	156,048	63	23,832
164,844	106,142	58,702	49	9,085
0	38,081	(38,081)	n/a*	0
0	0	0	n/a	0
8,224	2,910	5,314	n/a	659



REINSURANCE COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

This table lists only those companies which are licensed solely for the business of reinsurance.

Premiums
assumed

Net losses
incurred

\$

\$

Note

BRANCH cont.

Hannover Ruckversicherung AG	69,890	61,293
Insurance Corporation of New York, The	(6)	3
Munich Reinsurance Company	900,025	771,312
NRG Victory Reinsurance Limited	(3)	(216)
Nationwide Mutual Insurance Company	3	(7)
Nederlandse Reassurantie Groep N.V.	0	(234)
Odyssey American Reinsurance Corporation	64,825	41,905
PartnerRe Sa	39,429	32,450
Pohjola Non-Life Insurance Company Ltd.	0	37
ReliaStar Life Insurance Company	20,258	3,791
SCOR Vie	8,018	(16,917)
Seaton Insurance Company	0	0
Sorema North America Reinsurance Company	423	121
16 Swiss Re Italia S.P.A.	0	0
Swiss Reinsurance Company	264,118	37,429
Terra Nova Insurance Company Limited	105	912
Toa-Re Insurance Company of America	25,748	18,182
Transatlantic Reinsurance Company	81,469	26,163
17 XL Re Europe, Canada Branch	15,226	3,921
	1,795,039	1,150,448
Totals	2,884,584	1,544,009

*for reinsurance companies with both life and property and casualty business, claims incurred as a percentage of earned premium provided in the report, pertains only to property and casualty business.



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
409,765	328,214	81,551	67	19,763
30,363	2,818	27,545	(50)	586
7,735,255	6,678,336	1,056,919	n/a ^e	18,628
18,660	6,036	12,624	10,800	778
27,597	7,589	20,008	n/a	1,396
4,973	1,710	3,263	n/a	150
204,150	136,158	67,992	64	14,308
111,687	341,397	(229,710)	60 ^e	(929)
2,472	639	1,833	n/a	(111)
127,337	75,160	52,177	n/a	4,020
226,975	160,699	66,276	n/a	1,590
10,730	1,514	9,216	n/a	366
65,706	14,465	51,241	22	3,748
0	0	0	n/a ^e	0
1,791,471	1,176,121	615,350	57 ^e	17,744
58,681	28,026	30,655	773	985
140,188	103,856	36,332	96	3,397
479,345	356,236	123,109	63	13,778
120,586	83,102	37,484	53	5,917
13,564,139	10,599,092	2,965,047		278,032
22,480,766	18,130,201	4,350,565		460,136



RECIPROCAL OR INTERINSURANCE EXCHANGES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2004 (in thousands)

Direct
premiums
written
\$

Direct
claims
incurred
\$

Note

ONTARIO

Canadian Lawyers Liability Assurance Society	24,676	22,399
Canadian Universities Reciprocal Insurance Exchange	7,261	3,646
Community Newspaper Reciprocal Insurance Exchange	74	40
Healthcare Insurance Reciprocal of Canada	67,019	92,691
Metro Public Education Insurance Exchange	0	0
Municipal Electric Association Reciprocal Insurance Exchange	7,363	2,880
Ontario Municipal Insurance Exchange	9,437	6,595
Ontario School Boards' Insurance Exchange	28,606	23,411
Poultry Insurance Exchange Reciprocal of Canada	517	483
	144,953	152,145

BRANCH

Lumbermen's Underwriting Alliance	12,304	(2,351)
Totals	157,257	149,794



TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Claims incurred to earned premium %	Net income/ (loss) \$
118,342	108,776	9,566	103	(894)
48,328	42,334	5,994	55	5,895
1,006	195	811	46	(14)
284,764	246,757	38,007	149	(19,821)
0	0	0	n/a	0
32,405	17,860	14,545	42	3,200
38,277	34,057	4,220	40	1,582
148,273	113,777	34,496	89	5,953
1,413	768	645	55	164
672,808	564,524	108,284		(3,935)
106,207	51,989	54,218	15	27,022
779,013	616,513	162,502		23,087



FRATERNAL SOCIETIES

FINANCIAL SUMMARY

year ended December 31, 2004 (in thousands)

ONTARIO BUSINESS

Note		Direct premiums written \$	Benefits and payments to policyholders \$
	ONTARIO		
	Guaranteed Funeral Deposits of Ontario (Fraternal)	23,276	22,693
	Teachers Life Insurance Society (Fraternal)	7,682	4,166
	Toronto Police Widows and Orphans' Fund	1,887	1,887
		32,845	28,746
	FEDERAL		
	ACTRA Fraternal Benefit Society	7,336	4,855
	Canadian Professional Sales Association	622	547
	Canadian Slovak Benefit Society	15	1,980
18	Canadian Slovak League	0	0
	Grand Orange Lodge of British America, The	929	984
	Independent Order of Foresters, The	19,652	24,356
	Lutheran Life Insurance Society of Canada	12,208	13,319
	Order of Italo-Canadians, The	19	57
	Sons of Scotland Benevolent Association	341	420
	Ukrainian Fraternal Society of Canada	34	105
	Ukrainian Mutual Benefit Association of St. Nicholas of Canada	3	34
19	Workers Benevolent Association of Canada	0	0
		41,159	46,657
	BRANCH		
	ACA Assurance	1,782	1,373
	Croatian Catholic Union of U.S.A. and Canada	0	24
	Croatian Fraternal Union of America	421	226
	Knights of Columbus	70,612	33,056
	Royal Arcanum, Supreme Council of, The	1,381	80
	Ukrainian Fraternal Association of America	21	44
	Ukrainian National Association	70	112
	United Commercial Travelers of America, Order of	137	73
	Woman's Life Insurance Society	247	343
		74,671	35,331
	Totals	148,675	110,734



TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Income/ (loss)
\$	\$	\$	\$
181,856	180,536	1,320	373
35,356	30,121	5,235	608
55,203	48,592	6,611	(1,352)
58,523	40,558	17,965	713
27,173	18,459	8,714	774
2,318	2,220	98	(173)
0	0	0	0
20,261	17,700	2,561	12
4,751,528	3,628,923	1,122,605	33,838
314,783	281,508	33,275	1,197
1,450	1,013	437	37
14,339	12,047	2,292	92
6,968	5,786	1,182	30
5,098	3,969	1,129	6
0	0	0	0
5,202,441	4,012,183	1,190,258	36,526
25,900	14,481	11,419	5,365
304	64	240	114
10,678	9,260	1,418	(64)
1,321,121	1,125,437	195,684	9,186
11,859	6,682	5,177	329
4,250	2,357	1,893	221
11,854	6,299	5,555	167
4,394	2,356	2,038	(83)
10,390	8,168	2,222	844
1,400,750	1,175,104	225,646	16,079
6,603,191	5,187,287	1,415,904	52,605

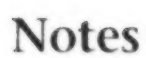


Financial Summary Notes

- 1 The former name of L&A Mutual Insurance Company is The Lennox and Addington Mutual First Insurance Company.
- 2 No financial information was reported in 2004 for Markham General Insurance Company. The company was ordered into liquidation effective July 24, 2002.
- 3 No financial information was reported in 2004 for Alta Surety Company. The company was placed in liquidation in July of 2001.
- 4 The former name of Canadian Direct Insurance Incorporated is HSBC Canadian Direct Insurance Incorporated.
- 5 No financial information was reported in 2004 for Granite Insurance Company.
- 6 The former name of CGU International Insurance PLC is Commercial Union Assurance Company PLC.
- 7 No financial information was reported in 2004 for Reliance Insurance Company. The company has not undertaken or renewed insurance contracts in Ontario since August 7, 2001.
- 8 No financial information was reported in 2004 for Skandia Insurance Company Ltd. All outstanding insurance liabilities in Ontario were transferred to Liberty Mutual Insurance Company as of February 19, 2004.
- 9 The former name of XL Reinsurance America Inc. is NAC Reinsurance Corporation.
- 10 No financial information was reported in 2001 for Confederation Life Insurance Company. The company is being wound up under the provision of the Winding-up Act.
- 11 The former name of AXA Equitable Life Insurance Company is The Equitable Life Assurance Society of The United States.
- 12 The former name of Bankers National Life Insurance Company is National Fidelity Life Insurance Company.
- 13 The former name of Reassure America Life Insurance Company is Royal Maccabees Life Insurance Company.
- 14 No financial information was reported in 2004 for Union Fidelity Life Insurance Company. All policies were transferred to American Bankers Assurance Company of Florida December 24, 1997.
- 15 No financial information was reported in 2004 for GE Reinsurance Corporation. Liabilities were assumed by Employers Reinsurance Corporation January 1, 2003.
- 16 Swiss Re Italia S.P.A. discontinued its operations and did not write any business during 2004.
- 17 The former name of XL Re Europe, Canada Branch is Le Mans Re.
- 18 No financial information was reported in 2004 for Canadian Slovak League. The company has been inactive since December 31, 2003.



- 19 Workers Benevolent Association of Canada did not write any business during 2004. All policies were renewed by Sons of Scotland Benevolent Association.

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